



BUDGET HIGHLIGHTS

Rate of income tax cut to 29%

The Chancellor cut the basic rate of income tax from 30 to 29 per cent, the first reduction since 1979.

Oil revenue from North Sea halved

Inflation target for 1986-87 is 3.5 per cent and output set to rise by a further 3 per cent.

More aid for jobless

The Community Programme, which provides temporary jobs for long-term unemployed, is to be expanded to 255,000 places this year.

Job start allowance

Pilot schemes to help the long-term unemployed through counselling and a job start allowance to be developed into a nationwide programme, called Restart.

New Workers Scheme

New Workers Scheme will be introduced from April 1 to provide £15 a week for 12 months to employers of those aged 18 and 19 earning £55 or less.

Loan scheme extended

The Loan Guarantee Scheme, which helps small firms obtain finance, to be extended for three years with premiums halved from 5 per cent to 2.5 per cent.

Tax relief for charities

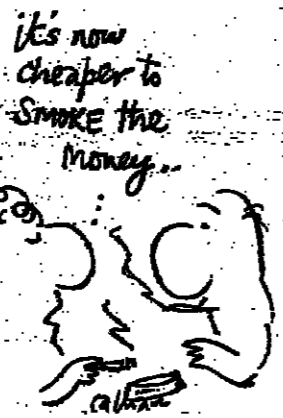
Charities to be granted limited VAT relief. Tax relief available to public companies making charitable donations up to a maximum of 3 per cent of annual dividend payment.

Farm building allowances

Agricultural building allowances will be altered to ensure full measure of depreciation. Mines and oil wells' allowances will be brought more closely into line with the new capital allowances regime.

Cigarettes to go up 11p

Cigarettes to go up 11p for 20 and an average-sized pack of rolling tobacco by 17p from Friday.



Bonus for pensioners

Pensioners are to be given a £15 million bonus because of an exemption of this year's special July sprating from taxation.

Tax help for small savers

Personal equity plans to be introduced to encourage individuals, especially smaller savers and new investors, to invest directly in equities.

Dearer gas oil

Duty on aviation kerosene and most lubricating oils scrapped. But duty on domestic gas oil went up by 1 1/2p a gallon last night.

Talks on pay and profits

Talks to take place with employers on scheme to encourage profit-sharing agreements, involving temporary income tax relief. The aim is to encourage workers to have a more direct interest in business success.

Petrol duty up

Petrol and Derv duty went up by 8 per cent from last night. Increases would add about 7 1/2p to a gallon of petrol and 6 1/2p to a gallon of Derv.

Drink pegged

No increase in duty on beer, cider, table wine, sparkling wine, fortified wine or spirits.

No change in VAT

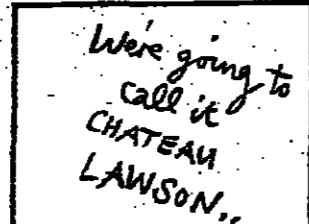
No change in the 15 per cent VAT rate. The registration threshold, the annual turnover below which traders are not obliged to register, goes up from £19,500 to £20,500.

CTT reform

Capital Transfer Tax to be radically reformed with abolition of tax, presently half the death charge, on gifts between individuals, at a cost of £35 million in 1986-87.

Road tax held

Vehicle excise duty on cars, light vans, motor cycles and most lorries to remain unchanged. Rates on buses, coaches and taxis go up by 5 per cent from today.



Covenant changes

The £10,000 annual limit on higher-rate relief on covenants by individuals is to be abolished.

Into the 1990s

A green paper, The Reform of Personal Taxation, which was published yesterday, sets out ideas for independent taxation with transfer of allowances between husband and wife...

Boost to people's capitalism

In a radical and unexpected move the Chancellor threw his weight behind private share ownership or "popular capitalism" when he revealed new tax incentives to encourage the British public into buying shares.

From making Britain a nation of homeowners, the Government was now going to make it a nation of shareowners, Mr Lawson claimed.

The Chancellor's Personal Equity Plan (PEP) will provide tax incentives to encourage individuals to invest in the British stock market. Anyone aged 18 and over will be able to put up to £2,400 a year in a PEP to buy shares.

free from any capital gains tax and any income tax on the dividends paid.

The Stock Exchange was delighted with the news. A spokesman said it could provide the most significant boost to wider share ownership in the last four or five decades.

Mr Richard Jeffrey, of stockbrokers Hoare Govett, said: "The share market is going to love the Personal Equity Plan and the market looks set to go a lot higher. A 20 to 25 per cent gain over the rest of the year looks likely."

The losers are likely to be the banks and building societies, who may find savings depleted in a rush to take out equity plans.

The Government has been keen to widen share ownership through making privatization issues like British Telecom attractive to small investors.

The privatization route has, however, had very limited success in reversing the trend away from share buying.

Over the last 25 years building societies, life assurance and pension plans have grown in popularity as savings methods at the expense of share buying.

The plan will only apply to British quoted shares. It will not apply to unit trusts, futures, options or unquoted shares and gilt-edged stocks will be subject to a low ceiling on the amounts allowed to be bought under the plan.

The longer money is held in the plan the greater the tax advantages. An individual saving £2,400 a year over 10 years could end up with a tax free total of £35,000, if he reinvested all his capital gains and dividends and obtained a real rate of return of 1.5 per cent a year.

'Springboard for the future'

Budget surprises please Tories

By Anthony Bevins, Political Correspondent

The Chancellor of the Exchequer, Mr Nigel Lawson, cut a penny off the standard rate of income tax yesterday when he planted new schemes to help the jobless, a tax-free incentive to wider share ownership, and the possibility of a free-enterprise pay policy based on profit sharing.

His 73-minute Budget statement was greeted with the traditional wailing of Commons order papers on the Tory benches and, although there was some carping from his backbench opponents, there was a general verdict that he had done well within the limited scope imposed by the collapse in the price of oil which had virtually halved his expected oil revenues to about £6,000million.

Mr Lawson told the House that industry would gain from the oil price fall, and he could live with his loss. But he then piled surprise upon surprise with a series of tax adjustments, mercilessly teasing his opponents and confounding general expectations.

Having told MPs that the price of a gallon of petrol had fallen by 15p, with the oil companies holding back on a further possible cut of up to 12p, Mr Lawson said there was clear scope for "a sizeable increase in petrol tax this year."

However, he said he had decided on an overall duty increase of only 7.5p a gallon and challenged the oil companies by pointing out that that earning £200 a week will pay £2.45 a week less.

A cut in the basic rate of tax provides less benefit for the very low-paid than an increase in tax thresholds, the device preferred by the Chancellor in most recent Budgets.

However, the Chancellor has limited the benefit it will bring to the higher-paid by not raising the thresholds for the highest rates of tax fully in line with inflation.

The threshold for the 40 per cent tax band is fully indexed, and increases by £1,000 to £17,200 of taxable income. This means that the cut in the basic rate of tax is worth a maximum of £331 a week to any taxpayer.

But the thresholds for the 45 per cent to 60 per cent tax bands are also raised by only £1,000, which is less than 5.7 per cent and therefore does not fully reflect inflation over the past year.

still left room for a further fall in pump prices. Although he announced a higher increase in the duty on cigarette tobacco - for health reasons - putting an extra 11p on a packet of 20, he proposed no increases on pipe tobacco and cigar duties, or on beer, cider, wine or spirits.

But the biggest surprise was his cut in the standard rate of income tax, from 30p in the pound to 29p. After he had announced the statutory indexation of income tax allowances, save for those on the top 60 per cent rate, Mr Lawson again teased his opponents by saying: "Given the need for caution in the light of current circumstances, I do not have scope this year for a reduction in the basic rate of income tax."

He then hesitated slightly before adding: "...beyond one penny in the pound."

Mr Lawson emphasized that his 1p was a down-payment on the long-term Tory commitment to go for a target 25p rate, and he pointed out that the combined effect of his changes would concentrate help "not on the rich but on the great majority of ordinary taxpayers."

The tax bonus will cost the Exchequer £935million over and above the cost of indexation of allowances and the married man on average earnings will be about £2.60 a week better off.

The Chancellor said that cutting tax and cutting unemployment went hand in hand and that tax cuts were "a principle engine of the enterprise culture."

But he also injected some direct help for the unemployed and his own boosts for pay restraint and share ownership which could help to turn his Budget into "a springboard for the future."

The Chancellor said that unemployment was "distressingly high" and he announced a £165million full-year package which will increase the Community Programme from nearly 200,000 places to 255,000 places for this financial year - with an increase in the wage limit to £7 a week - and a further 35,000 places on the Enterprise Allowance Scheme to build it up to 100,000 places within the next 12 months.

But he also emphasized the need to overcome the "Achilles heel" of the economy: pay rises that were overtaking productivity.

Mr Lawson then floated the possibility of beating the problem with a new system "in which a significant proportion of an employee's remuneration depends directly on the company's profitability per person employed."

Building society chiefs are predicting between a 1/2 and a 1 percentage point cut in home loan rates in the wake of the reductions in bank base rates

Basic rate income tax cut

The Chancellor has made the first cut in the basic rate of income tax for seven years, and confirmed his intention to bring it down to 25 per cent. With the Budget, he has published proposals for altering the taxation of married couples to the benefit of wives who do not go out to work.

The cut in the basic rate of income tax from 30 per cent to 29 per cent is backed up with an increase in all the main personal allowances of about 5.7 per cent in line with last year's inflation.

This will raise the single allowance to £2,335 a year, and the married man's allowance to £3,655. The combination will cut most taxpayers' bills by between one and two per cent.

From mid-May, a single person earning £140 a week will pay £1.70 a week less in tax, while a married man

Kerb case judge wins appeal

Colin Hart-Leverton, the Recorder convicted of kerb crawling, yesterday won his appeal against conviction and a £200 fine after claiming police evidence was untrue.

Portfolio

The Times Portfolio daily competition prize of £2,000 was won yesterday by Mrs C Whittle of Sheffield. Portfolio list, page 32; how to play, information service, page 20.

Chirac considers Mitterrand offer

The suspense over who will be the next Prime Minister of France continued last night after M Jacques Chirac, leader of the Gaullist RPR party, was offered the job by President Mitterrand, but reserved his decision.

M Chirac, aged 53, emerged from the Elysee Palace just before 8pm, after more than two hours of talks with M Mitterrand, smiling enigmatically but refusing to comment.

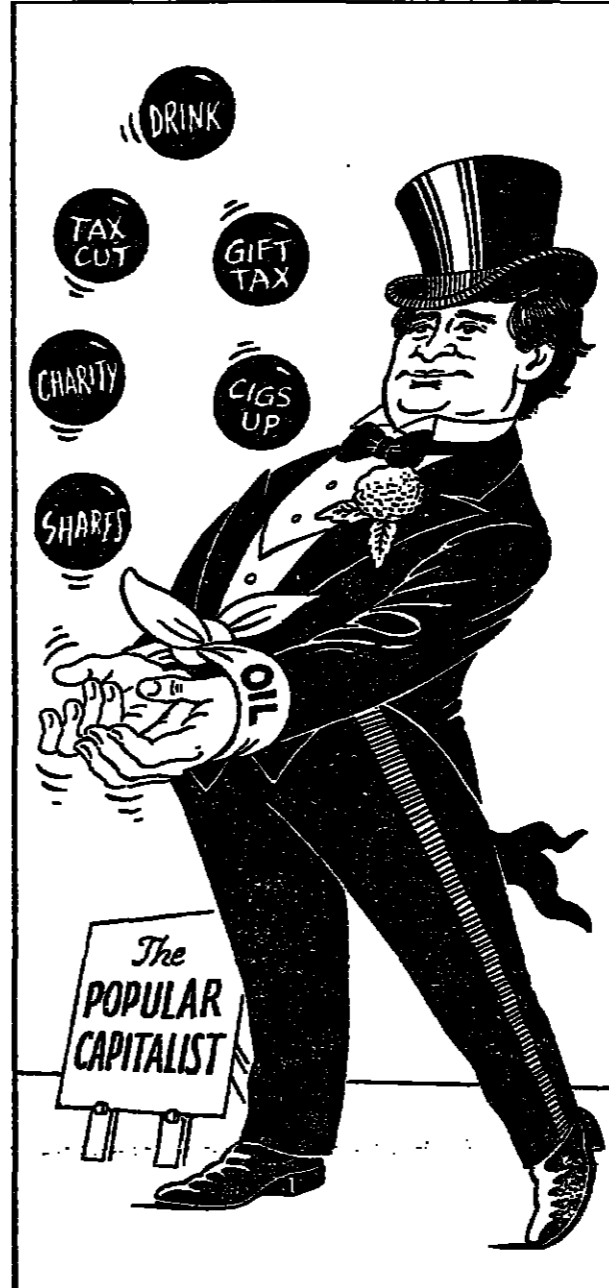
It was left to M Jean-Louis Bianco, secretary-general of the Elysee, to announce to the hundreds of waiting journalists that M Chirac had been offered the post.

M Chirac is expected to give his answer today. Today's Cabinet meeting has been cancelled. He and M Mitterrand had evidently been engaged in tough bargaining over the terms that either was willing to accept for M Chirac's nomination. M Chirac has made it clear that no right-wing leader should accept the post without having obtained a clear undertaking that the President would allow the right to introduce the programme on which it was elected "in full".

Savage costs to be met

The Medical Defence Union yesterday agreed in principle to pay costs to Mrs Wendy Savage, the consultant obstetrician at the London Hospital suspended for almost a year, incurred in defending herself against charges of professional incompetence.

Table with 2 columns: Home News, Letters, Overseas, Obituary, Arts, Parliament, Business, Property, Court, Sale Room, Crosswords, News Reports, Diary, Sport, Features, Theatres, Law Report, TV & Radio, Leaders, Weather.



Foreign players taxed

Foreign showbusiness and sports stars will pay income tax on their earnings in Britain from next year, bringing them in line with regulations governing British performers abroad.

The Chancellor said the measure would raise an estimated £75 million a year. Personalities currently in Britain who would be affected include singers Madonna and Lisa Minelli, and US rock stars such as Bruce Springsteen.

The move means this year's Wimbledon will be the last tax-free tournament. It will also affect high-earning racing drivers, golfers and snooker players.

Mr John D. Webber, an executive of IMG which represents many foreign sports stars, said the tax had not come as a surprise and he did not think it would dissuade his clients from playing in Britain.

"Providing it is done fairly and people know in advance what to expect, on the whole I don't think it is unfair."

Report, page 25

Boost for charities income

Far-reaching changes in the law on charitable giving which fund-raising specialists said yesterday could eventually be worth hundreds of millions of pounds a year to charities, were announced by the Chancellor.

Under the changes the £10,000 limit on covenants is to be abolished, public companies will receive tax relief on one-off gifts to charity up to a maximum of 3 per cent of the company's annual dividend to shareholders, and from April 1987 any employer will be able to set up "payroll giving" schemes where employees will receive tax relief for donations of up to £100 a year deducted from their pay.

Mr Lawson also announced new VAT exemptions for charities including non-classified press advertising, on lifts and distress alarms for the handicapped, on talking books and on welfare vehicles used by charities to transport the deaf, blind or mentally handicapped.

Mr Lawson estimated the cost of the concessions at £70 million in 1987-88. But specialist fund-raisers said that in five years time they could be worth hundreds of millions of pounds a year to charities if they went out and exploited the concessions.

Changes to prevent abuse of the laws by companies making donations to charities which are effectively fed back to the benefit of those donating the money are to be introduced, however, in moves that will save the Chancellor about £20 million a year.

The VAT Reform Group welcomed the concessions on VAT

Capital transfer change

The Chancellor yesterday abolished Capital Transfer Tax for all lifetime gifts between individuals, a move which took the legal and accountancy professions completely by surprise.

The tax, which will continue to apply in the case of gifts on death and for various transfers into trusts, is also to be renamed Inheritance Tax, representing a shift back to the days of the old Estate Duty tax, which was replaced by CTT in 1974.

The surprise announcement came as part of measures that the Chancellor said he wanted to introduce to stimulate business. It will be a considerable boost to owners of family companies who want to pass their assets on to the next generation.

It will make it easier for home owners to gift their homes to their children without any tax penalty and in many cases make long-term provision for children's education simpler to organize.

The Chancellor described CTT on lifetime gifts, which until yesterday were charged at a maximum 30 per cent, as "a thorn in the side of those owning and running family businesses".

It had been introduced by the Labour Government in 1974, in the face of a united Conservative Opposition, he said. The Chancellor said that in his previous two budgets he had abolished three unnecessary taxes - the National Insurance Surcharge, the Investment Income Surcharge and Development Land Tax.

The cost to the Exchequer of abolishing Capital Transfer Tax on lifetime giving will be £35 million in the next tax year and £55 million for the following one.

CTT has often acted as a restraint on majority shareholders in private companies who feared that building up their companies would only lead to increased taxation when they passed their shares to the next generation.

Advertisement for Famous Grouse Scotch Whisky featuring a grouse and a bottle of whisky with glasses.

Quality in an age of change

New town would make 'solid suburb from London to Southend'

By Hugh Clayton, Environment Correspondent

A projected new town in Essex could create a solid belt of suburbs from London to Southend, councils opposed to the town claimed yesterday.

Essex County Council and Thurrock Borough Council said they had rejected the Tillingham Hall application because its promoters wanted to create a complete new town with 5,000 homes on one of the few stretches of unspoilt countryside in south Essex.

Mr David Keene, QC, said he also spoke for the National Farmers' Union when he said that the two councils were totally opposed in principle to the scheme. The land was close enough to the London suburbs to be a crucial piece of the capital's green belt.

An appeal against the council's rejection of the plan opened yesterday at Orsett, near the Tillingham site. The appeal before Mr Donald Harris, an inspector appointed by the Department of the Environment, is by Consortium Developments, a group of the largest building compa-

nies in Britain, including Barratt, Bovis, Wilcon and Wimpey.

It soon became clear that the central argument at the appeal would be about the role of green belts in modern Britain. Mr Harris said he would tell ministers of anything said at the appeal about government policies. "I am somewhat constrained", he added.

Tillingham Hall is meant to mark a break with the policy followed since 1918 of building either housing estates on to existing towns or creating new towns round existing small settlements. The 761 acres earmarked for Tillingham Hall are almost entirely empty farmland. The town is meant to be a complete entity with its own schools and shops.

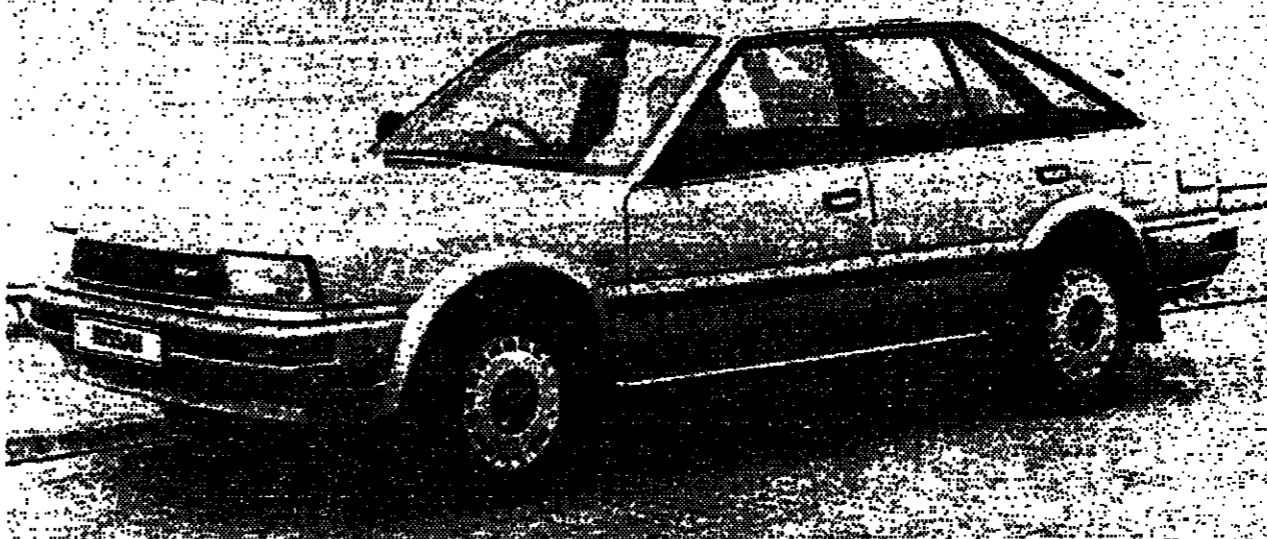
The appeal opened amid flat Essex fields festooned with anti-Tillingham posters pinned up by local villagers. An airborne protester flew over the appeal hall as Mr Michael FitzGerald, QC, said

for the developers that the new towns planned by them were not an assault on the green belt.

Of the five towns planned round London by the consortium, only Tillingham Hall was aimed at green belt land. But the appeal, to be decided by Mr Kenneth Baker, Secretary of State for the Environment, is seen as a key test of the Government's commitment to safeguarding attractive and saleable countryside.

Mr FitzGerald said the Tillingham scheme should not be rejected because it would take farmland in England's second most fertile county. The land was of only moderate fertility, and the high level of agricultural surpluses meant there was less need to safeguard the national stock of farmland.

The Tillingham plan was also in line with national policy of coaxing high-technology industrial development to the east of London away from the more prosperous western corridor.



Nissan unveils models for new plant

Nissan, the Japanese car group, today presents the models it will build at its £50 million factory at Washington, Tyne and Wear.

From July, eight out of a new 15-model range of mid-sized saloons and hatchbacks, called the Bluebird, will emerge from the plant.

They will be stockpiled ready to go on sale in October to coincide with the Motor Show.

The Bluebird range, designed in Europe, aims to undercut some of Nissan's main rivals in Britain, such as

the Ford Sierra and Vauxhall Cavalier.

The car bodies will be assembled from kits shipped from Japan, although 20 per cent of other components will be made in Europe, mainly in Britain. The vehicles will be available with four engine choices.

Prices will range from £6,500 for a 1.6L four-door saloon, to £9,680 for the 2-litre SGX manual five-door model. There will also be a diesel 2-litre saloon, the first diesel car to be marketed by the company in Britain. The new range includes the high performance Bluebird

Turbo 1.8ZX at £9,675.

Nissan studied every detail of European tastes before deciding on the colours and fabrics for the interior designs. Prototypes were tested on British and Continental roads.

Nissan expects to produce 15,000 cars at the Washington factory this year and 24,000 in 1987. The £350 million second phase of the Washington development, dependent on a much higher requirement of local content, will eventually be geared to an annual output of 100,000 cars.



Geoffrey Smith

"It is humbug", declared the Prime Minister a few days ago, "to complain about unemployment if you drink French mineral water and drive an imported car". That seems to me precisely the wrong way to seek the salvation of British industry.

It is an appeal based on the prejudice of consumers rather than the efficiency of producers.

If this were a momentary slip, either of the tongue or of logic, it would not matter. But it is symptomatic of a wider failing that is demonstrated most vividly and depressingly in the continuing debate over British Leyland.

That there should still be disagreement within the Government and the Conservative Party, and among the general public, over whether General Motors should take over Land Rover as well as the commercial vehicles section of BL is not in itself surprising or disturbing. It is the nature of the debate that is depressing. The Government seems to be inclining towards rejecting a straight takeover of Land Rover by General Motors on the grounds that it would be poor politics for a Conservative government to hand the patriotic card to its opponents.

For the last major motor manufacturing company still in British hands to be sold off to the Americans would, it is said, be an affront to national pride.

Some commentators believe that this is a political miscalculation, that the public mood is less defensive than that.

But I am not so sure that the judgement is mistaken on narrow electoral grounds. The fuss that is being made by even Conservative MPs from the West Midlands suggests that there is quite a head of steam against the sale. There are many reasons to believe that these feelings are confined to the West Midlands. The national sense of being overwhelmed by American industrial strength was evident during the West-land crisis and has been reflected in opinion polls.

Attack on Wapping violence

Mr Gerald Kaufman, shadow Home Secretary, yesterday condemned "hunts and extremists" picketing Mr Rupert Murdoch's Wapping plant.

Mr Kaufman said he agreed totally with Sir Eldon Griffiths, parliamentary spokesman for the Police Federation, who described the trouble-makers involved in the violence as "riffraff, desperados and hoodlums".

Speaking during Commons committee proceedings, Mr Kaufman said: "Those who are involved in a dispute with Mr Murdoch are in my view totally justified persons pursuing a legitimate dispute against a disgraceful employer, and do not have a common purpose with the louts and extremists who are there."

Sir Eldon said that the picket line had at times been infiltrated by political activists.

Scots journalists are dismissed

By Ronald Farr

The 220 striking journalists on the *Daily Record* and *Sunday Mail* in Glasgow were dismissed by management yesterday. Letters signed by the editors of the two papers said that by striking in breach of the house agreement, which required three weeks' notice of industrial action, the journalists had terminated their employment.

The *Daily Record* has not appeared for eight days, after a dispute which originated with Mr Robert Maxwell's plan to bring out an Irish edition of the *Daily Mirror* in colour on the presses at Anderson Quay in Glasgow, where the *Record* and *Mail* are produced.

Journalists on the two newspapers yesterday accused management of breaching the house agreement. A statement from the joint chapel of the National Union of Journalists said management had refused to follow the agreed disputes procedure, and had tried to impose vast changes without consultation. It had also stopped publication of the *Daily Record* while the company and the NUJ were in dispute.

The letter from the editors said the company's original offer to guarantee jobs on the two papers, together with a 10 per cent pay rise in 1986, had been generous. "It was madness to reject it." Today, the journalists intend to produce 100,000 copies of their own newspaper. It will be launched in George Square in the centre of Glasgow and will carry goodwill messages from Scottish interests.

Fulham by-election Moderate tendencies for all

By Richard Evans, Lobby Reporter

Each of the three main candidates in the Fulham parliamentary by-election declared solemnly yesterday: "I am a moderate".

The sudden concern with being seen to occupy the central political ground in preparation for the poll on April 10 came as Mr Matthew Carrington, the distinctly dry Conservative candidate, indulged in a gentle spot of mud-slinging, which predictably outraged his Labour and Alliance opponents.

Fortified, perhaps, by the example set 24 hours earlier when Mr Norman Tebbit managed to link Labour with the recent rise in crime, Mr Carrington attempted to follow suit.

Until now everyone has assumed that Mr Nick Raynsford, the smartly attired and gently-spoken Labour man, was a classic moderate. Not so, opined Mr Carrington. "I would describe him as a left-winger", he said. What's more, a Militant Tendency supporter had been spotted campaigning on his behalf.

In a novel political turn of phrase Mr Carrington added:

"So Mr Raynsford's claims to be a moderate butter no parsnips". The Labour candidate had been well to the left of his party when on the local council ten years ago and now he had "extremists sitting on his shoulders".

Mr Carrington then turned his attention to Mr Roger Liddle, the SDP candidate who is best known as leader of the Alliance group on Lambeth council, where he battled against "Red" Ted Knight. Or so we thought.

Mr Carrington claimed Mr Liddle had a poor attendance record at council meetings. "My case is that he doesn't combat extremism. His record on that is extremely shaky."

But what of Mr Carrington's claims to be a moderate? So far, apart from knowing he is a grandson of a parson, little has been discovered.

Yesterday he confirmed suspicions that he is a fully paid-up member of the Thatcherite persuasion. He strongly disagrees with policies advocated by Mr Edward Heath and Mr Francis Pym, but would welcome the injection of private capital into the coal-mining industry.

Mr Liddle, used to dealing with the very highest quality of political abuse from Lambeth left-wingers, took Mr Carrington's criticisms in his stride. "It is a pathetic way to attempt to attack a candidate," he said.

"We have fought really hard in Lambeth. You ask anyone about the kind of stick we have had to put up with. We have had things thrown at us and members assaulted in the council chamber. It has been hell.

"Anyone who thinks we have not taken a lead there just hasn't got a clue. I don't think Matthew Carrington knows what a Labour extremist is."

Mr Raynsford was equally robust and declared proudly that he and his local party had voted for Mr Denis Healey in Labour's deputy leadership contest in 1981, and had supported Mr Neil Kinnock and Mr Roy Hattersley in 1983.

General Election: Mr Stewart (C) 13,416; Mr Pym (C) 12,416; Mr Heath (C) 11,022; Mr Carrington (L) 10,216; Mr Liddle (SDP) 9,816; Mr Raynsford (L) 8,416.

Prison numbers to soar

By Gavin Bell

There may be far more prisoners in the 1990s than anticipated according to revised Home Office projections.

The prison population in 1993 could be between 52,200 and 57,300, an increase of between 3,700 and 5,400 over projections last year. There were just over 47,000 prisoners last week.

A sharp and unforeseen surge in inmates between the autumn of 1984 and last summer was largely responsible for the higher estimates. The furthest projections issued this week were for 1994, giving a range of 52,800 to 58,900 prisoners. They would include between 14,400 and 16,100 people who had not been sentenced, compared with an average of 9,700 last year.

The number of female inmates would continue to be a small proportion, between 1,700 and 1,900 compared with about 1,500 today.

Lord Glenarthur, Parliamentary Under Secretary of State with responsibility for prisons, said the Government remained committed to ending overcrowding and to a major prison building programme. The Home Office said the Certified Normal Accommodation, the capacity of prisons without overcrowding, was 40,823 last week. Plans should provide for about 52,000 prisoners roughly the lowest projected figure for 1993-94.

Thirty women were driven under heavy security from Armagh Jail to Maghaberry Prison yesterday to become its first inmates.

The £33 million complex in Northern Ireland will have room for 56 female prisoners and 432 men. It will house some of the province's most dangerous terrorists, who will enjoy central heating and individual cells.

Prisoners will be housed in four two-storey blocks built around a hollow square, with 108 single cells in each divided into six units of 18 cells. Armagh Prison will close, but the province's other three jails, the Maze, Magilligan, and Crumlin Road, will remain open.

Exclusion from a global economy

In one sense the BL controversy is more serious than the Westland crisis. There was a rational argument of behalf of the European consortium that Westland was a special case because the American market in defence procurement is so highly protected.

But the British economy will suffer if every industry is to be considered a special case. That is particularly evident to me having just returned from the United States. The more Britain and other European countries adopt a defensive, nationalist position on economic issues the more help will be given to protectionist forces in America at a critical time.

But there is another factor as well. The more progressive companies, especially in the US but elsewhere as well, are thinking increasingly in terms of a global economy. They conduct their operations on a worldwide basis. Ownership and trade are constrained as little as possible by national frontiers.

If Britain adopts a reflex resistance whenever American ownership of a significant British company is contemplated that will help to exclude this country from the development of this global economy.

If such defensive attitudes to international competition are prevalent today then politicians being human are all too likely to succumb to them. But there should be no illusion that in doing so they are serving the national interest.

The true patriotism today is to consider each proposition without emotion on its merits.

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It also brings some comfort to the many thousands who suffer the misery

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Our cause is very important.

Please give as much as you can.

Because the sooner we find the answer the sooner we can ensure that the lives of those nearest to you are not torn apart.

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UK firm to fish in Falklands

By John Young, Agriculture Correspondent

A British trawler company has chartered 10 Japanese vessels to fish within the 200-mile zone around the Falkland Islands. The ships will have Japanese crews but will sail under the British flag and some will have British skippers.

The company is J Marr & Son of Hull, formerly one of the giants of the British deep-sea fishing industry, and its initiative is the first serious response to criticism that Britain is neglecting the rich South Atlantic fishing grounds and allowing them to be exploited by other countries.

Marr became interested in the Falklands after its four remaining deep-sea freezer trawlers were requisitioned during the conflict as troop carriers.

But after the ceasefire, the company's suggestion that one ship should remain to survey the fishing potential was ignored by the Foreign Office.

Since the loss of the Icelandic and Newfoundland fisheries, Marr has increasingly concentrated on the trading and marketing of fish and has built up a thriving export business.

Baby 'born alive' in abortion

A nurse clutching a baby born alive during an abortion operation ran a quarter of a mile across a London hospital in a vain attempt to save its life, it was claimed yesterday.

The anti-abortion group Life, said the nurse dashed from the gynaecological ward to the maternity unit at Mayday Hospital, Thornton Heath, in search of an incubator after the girl was born to a woman 28 weeks pregnant.

Mrs Neala Scarisbrick, Life's administrator, said the alleged incident happened 12 hours after the woman had been admitted for an abortion.

Mrs Scarisbrick said the baby, weighing 17½ ounces, was alive and breathing when the nurse arrived at the maternity unit, but died about 10 minutes after birth.

"To the best of our knowledge this is the youngest and smallest baby ever to have survived an abortion operation and breathed."

Life has lodged a complaint with the police, asking for the doctor involved to be prosecuted under the 1929 Infant Life (Preservation) Act, which makes it an offence to destroy the life of any unborn child capable of being born alive. The case has been passed to Scotland Yard.

Sale room Water-colours in growing demand

By Huon Mallalieu

The demand for good English water-colours was apparent at Christie's yesterday as many of the best examples on offer far outstripped their estimates and the 154 lots produced £260,463 with 11 per cent bought in.

One of the most remarkable prices was £9,180 which was paid by an anonymous bidder for "Too Hot", a little boy blowing on his porridge, by William Henry Hunt (estimate £600 to £800).

A splendid and unframed panoramic view of Lancaster by Peter de Wint was bought by Agnew at £19,440 (estimate £8,000 to £10,000).

An early Turner study of an old oak tree near Norbury Park in Surrey was bought by a private bidder at £14,580 (estimate £3,000-£4,000).

Three Indian subjects by Turner dealing with the siege of Seringapatam in 1799 and based on drawings made on the spot by Thomas Sydenham had mixed fortunes.

The most colourful of the battle itself, went to Wyld at £9,180 (estimate £4,000-£6,000) and Leger paid £7,560 for a view of the rampart where Tipu Felton was killed (estimate £7,000-£10,000). However, Gregory was able to secure the third, again of buildings in the fort, for a very reasonable £4,860 (estimate £7,000-£10,000). In the past these water-colours had been attributed to William Daniel.

Selling The Three overcast: Austria Sch 29, Belgium 8, Frs 50, Canada 10, 20, 30, 40, 50, 60, 70, 80, 90, 100, 110, 120, 130, 140, 150, 160, 170, 180, 190, 200, 210, 220, 230, 240, 250, 260, 270, 280, 290, 300, 310, 320, 330, 340, 350, 360, 370, 380, 390, 400, 410, 420, 430, 440, 450, 460, 470, 480, 490, 500, 510, 520, 530, 540, 550, 560, 570, 580, 590, 600, 610, 620, 630, 640, 650, 660, 670, 680, 690, 700, 710, 720, 730, 740, 750, 760, 770, 780, 790, 800, 810, 820, 830, 840, 850, 860, 870, 880, 890, 900, 910, 920, 930, 940, 950, 960, 970, 980, 990, 1000.

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Society 'must change values to protect youths from drugs'

By Nicholas Timmins, Social Services Correspondent

Society needs to change its values and health policy-makers have to demand social change if the young are to be protected from drug abuse, a conference of health ministers from 30 countries was told in London yesterday.

Dr Halftan Mahler, director-general of the World Health Organization, told the conference that "if our social values make drug-taking an acceptable norm among peer groups of youngsters, then it is these values that have to be reconsidered."

In a shallow and material society where the norm was to demand more of everything, "it is not surprising if the 'more' includes more narcotic and psychotropic drugs."

One reason was that drug-taking became 'part of the wealth euphoria—the 'in' thing' where soft drugs led on to hard ones.

The other was rebellion by the young against established norms, where "more wealth, more food, more drink, more cars, more tobacco, more sex, more TV and video sell more food, more drink, more cars, more tobacco, more sex and so on ad infinitum."

Dr Mahler told the conference, organized by WHO: "Perhaps it is not the youngsters we have to change, perhaps it is some of our social values."

Young people had to be provided with both work and leisure opportunities and society had to recognize that not everyone was cut out for a high-tech way of life. Unless work other than the high-tech ones were recognized as being just as important, then those engaged in it risked social ostracism.

"Youngsters have to have self-esteem and if that is shattered some turn to crime, others to drugs", Dr Mahler said in the introduction to the conference, which was opened by Mr Norman Fowler, Secretary of State for Social Services.

Dr Mahler said such an approach did not tell the whole story. The drug supply had to be tackled, research was needed to predict those at risk of drug abuse, with more prevention and improved treatment for those addicted.

But he said: "It may seem strange that health policy-makers have to become advocates of innovative social policies, but I am afraid that is what we shall have to become in many countries if we want to make an impact."

Figures supplied to ministers at the start of the conference put the number of heroin abusers world-wide at 750,000, with 1,760,000 opium abusers, 4,800,000 abusers of cocaine, 29,000,000 cannabis misusers, and with steep increases in alcohol consumption in many countries; tobacco consumption was falling in many developed countries but rising in the developing world.

Between 1960 and 1981, alcohol consumption rose spectacularly in some countries: up by 762 per cent in the Republic of Korea, by 243 per cent in The Netherlands, by 169 per cent in Japan and by 132 per cent in East Germany. It almost doubled in West Germany and Canada.

"Considering the close relationship between per capita alcohol consumption and the prevalence of alcohol-related health problems in the population, this trend evidences an enormous increase in health risks and corresponding costs", the study says.

BMA renews call for boxing ban after fight death

By Thomson Prentice Science Correspondent

The death of the boxer Steve Watt three days after collapsing in the ring should make other fighters agree that the sport be banned, the British Medical Association said yesterday.

Dr John Dawson, head of the BMA's professional and scientific division, said: "The death of this young man is a tragic warning to all boxers that this is a uniquely dangerous sport, which we believe should be banned."

"It is inevitable that any boxer who receives blows to the head will suffer some form of brain damage which will have long-term effects."

Mr Watt, aged 27, the Scottish welterweight champion, died in Charing Cross Hospital, west London, on Monday night. He had been in a coma after undergoing surgery last Friday to remove a blood clot from his brain.

Mr Watt, who was born in Glasgow and lived in Hayes, Middlesex, was carried from the ring on a stretcher in the tenth round of his bout with southern area welterweight champion Rocky Kelly at the London West Hotel.

A British Boxing Board of Control inquiry will be held next week into the fight.

Mrs Renee Short, Labour MP for Wolverhampton north east, who wants stricter controls in boxing, said: "This is yet another indication of the serious damage caused by boxing. The head should be taken out as a target."

The organs of Mr Watt were donated to hospitals for transplant operations yesterday, after his parents gave their permission. "His death will help two or three people live," a spokesman for the North West Thames Regional Health Authority said.

Father feels guilt over son's death

From Tim Jones Cardiff

The father of Johnny Owen, the "matchstick man" from Merthyr Tydfil who died after trying to capture the world bantamweight title, yesterday blamed himself for his son's death.

Mr Dick Owen, who was in the corner for the fight five years ago in Los Angeles against Lope Pintor, disclosed that his son had tried to conceal horrible injuries from the referee to make sure the fight went on.

He said: "No one can be blamed for his death but me. I should have stopped it."

The boxer died in hospital from brain damage without recovering consciousness six weeks after the fight.

Mr Owen said that in the third round his son suffered a bad gum cut. His son died, he believed, because he swallowed huge quantities of blood which weakened him.

The discovery that his son, aged 24, had an abnormally thin skull was partly responsible for the introduction of brain scans for boxers.

The last British boxer to die after a fight was bantamweight champion Johnny Owen, aged 24, from Merthyr Tydfil, South Wales, 46 days after being knocked out by world champion Lope Pintor at Los Angeles in September 1980.

The last boxer to die after a fight in Britain was Young Alf, in December 1982 after being defeated by the present world featherweight champion, Barry McGuigan, who nearly gave up boxing as a result.

Judge cleared on kerb crawl case

A judge convicted of kerb crawling was yesterday cleared after claiming in court that police evidence against him was untrue.

Judge Colin Hart-Leverson won an appeal against conviction and a £200 fine after he accused police witnesses of making up statements that he approached three women in Bayswater, west London.

The evidence of two police witnesses showed "inconsistencies, inaccuracies, and incredibilities", Mr John Mathew, QC, for the defence, said.

Mr Mathew gave the example of the second woman alleged to have run away from the judge.

One of the officers said he ran after the woman, but the other said he walked.

The Recorder was also awarded costs but the police said there would be no inquiry "I knew the truth would come out in the end," Judge Hart-Leverson said after the appeal hearing at Knightsbridge Crown Court.

The judge, aged 49, of Deacons Close, Elstree, Hertfordshire, was convicted by Wells Street magistrates last month.

He appealed on the grounds that the findings were against the weight of evidence and that he was not guilty.

He said he was in the area to visit his late father's home as part of the Jewish Yom Kippur festival. He said he was forced to slow down and stop his car a number of times because of a temporary barrier and a one-way system.

University video link for sites

By Bill Johnstone Technology Correspondent

A novel video network composed of glass fibre, linking seven sites of London University has been unveiled amid boasts by its creators that it will revolutionize research and university teaching. Called Livenet it will begin trials in October.

The glass fibre optic cable, the width of a human hair, is able to carry four colour television channels and associated sound and two million pieces of information.

The network to be developed jointly by British Telecom and the London University will allow individuals and groups to link up for tutorials, seminars, lectures and conferences.

Television cameras, microphones, television sets, and other video equipment at each location are the basic ingredients of the network. The signals are carried from one location to another by the glass fibre and controlled by a central computer.

Unveiling the system yesterday, Lord Flowers, Vice-Chancellor of London University, said: "This fibre optic network will do more than any other single development to promote a truly federal way of working in the university."

Station plaza plan

By Patricia Clough

A £10 million project to build a double-deck shopping plaza with an airline check-in point and cafes over part of Victoria station was announced by British Rail yesterday.

Passengers will be able to take taxis or escalators from the main station to the new area which will have a British Caledonian reception, a check-in for Gatwick airport and a new British Rail ticket office. There will also be access to the Victoria coach station.

The 72,000 square foot development over platforms 13 to 19, to be known as the Victoria Shopping Plaza, will include cafes, fast food bars, a licensed bar and restaurant at the mezzanine level.

John Francombe (top), aged 33, the recently retired champion jockey, received the insignia of the MBE from the Queen at a Buckingham Palace investiture yesterday. He rode a record 1,138 winners over 15 years before a fall ended his career.

Now a trainer, he was created MBE for services to national hunt racing.

Beryl Reid (above) left her sick bed to collect her OBE. Miss Reid, aged 65, said: "The Queen told me how lovely it was to see me."

Sex change operation 'cannot alter gender'

Mark Rees, aged 44, a woman who has undergone a sex-change operation to become a male, yesterday began his appeal to the European Court of Human Rights to force the Government to recognize his new gender.

Mr Rees at birth exhibited all the biological signs of a female. But in his childhood he displayed masculine behaviour and was described as "ambiguous" in appearance.

In his last 20s, Mr Rees underwent a hormone treatment, changed his name and assumed the role of a male. He had later undergone a bilateral mastectomy to complete his sexual conversion.

At hearings before the court, Mr Rees argued that the Government violated his right to privacy by refusing to alter his birth certificate to reflect his new identity. He also claimed that in the eyes of the British law he is a woman and may not marry another female.

Defending the Government's position, Mr Nicholas Bratza told the court that under British law a person's sex is determined by biological signs displayed at birth. Mr Rees, he said, "is a female and the gender reassignment operation has not changed that."

The case, Mr Bratza argued, did not involve merely "minor tinkering" with public records, but called for the "abandonment of the legal criteria for determining who is a man and who is a woman."

According to Mr Bratza, the Government had adopted a "humane and enlightened" attitude towards transsexuals. The court took the case under advisement.

Train victim wins £30,000

Elaine Brown, aged 25, of Bricklet Wood, St Albans, Hertfordshire, who lost her left arm after slipping on an icy station platform and falling under a train, was awarded £30,000 agreed damages at the High Court yesterday.

She had just celebrated her 21st birthday when the accident occurred in December 1981.

Order on student quashed

A man described as "the best educated student in Britain" yesterday won his fight against a court order requiring him to repay £7,000 he received in council grants.

Roger Scott, aged 45, of Jacobswell Road, Bristol, was given an 18-month suspended sentence and ordered by Gloucester Crown Court to pay back the money after he admitted admitting making false grant claims.

Scott had studied at Oxford and Bristol polytechnics and at Aberdeen and St Andrews Universities, having obtained grants of nearly £14,000, but never obtained a degree.

In the Court of Appeal yesterday, Lord Justice Watkins said Scott had milked public funds for years, but the compensation order had "about as many vices as it is possible to have."

He said judges should not make orders which could not be paid. The order was wrong in law and must be quashed.

'Spitting Image' for USSR

By David Hewson, Arts Correspondent

ITV's *Spitting Image* satire, the BBC's nuclear drama *Threads* and the soap operas *Coronation Street* and *EastEnders* are to be shown in Moscow this summer as part of a short season of British television.

The programmes will be shown for five nights at the Moscow headquarters of the Union of Cinematographers as part of a reciprocal arrangement organized by the Great Britain-USSR Association.

There are no plans for the showing of any of the programmes on Russian network television. Two years ago a week of Soviet television was shown at the National Film Theatre.

The festival will also include an episode of *Comrades*, the BBC's documentary series about Russia, and Channel 4's *Max Headroom* programme.

Fire bravery

Four men at Minipak Aerosols of Runcorn, Cheshire, have received the Queen's Commendation for Brave Conduct in an explosion and fire at the firm in last August that killed one worker and seriously injured 12 others. Those commended were Mr Clement Coford, Mr Paul Kerwin, Mr Robert Snape, and Mr Brian Urquhart.

Goldfish ban

The Showmen's Guild announced yesterday that goldfish in plastic waterbags will no longer be offered as prizes at the annual Show Fair at Chichester, West Sussex, after pressure from councillors and Virginia McKenna, the actress.

Appeal fails

Brian Harris, aged 50, a former optician given a life sentence for the hammer-killing of his third wife, Edna, was refused leave to appeal against his sentence by the Court of Appeal in London yesterday. He had admitted manslaughter and has been in jail since last July.



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Prescription 'blow to NHS'

By Our Social Services Correspondent

The Government's 20p increase in prescription charges from April 1 could cost, rather than save, money for the National Health Service, according to the Pharmaceutical Services Negotiating Committee, which represents the 10,000 pharmacists in England and Wales.

Sleep increases in prescription charges last year led to doctors increasing long-term

prescriptions by 50 per cent so that patients would pay only one charge instead of several, a survey by the committee's checking bureau has shown.

Mr Michael Brining, the committee's financial executive, said: "Doctors seem to be showing financial sympathy for their patients..."

Mr Peter Boardman, the committee's assistant secretary who carried out the

survey, said: "This trend is likely to be accelerated by the latest increase taking the prescription charge to £2.20."

"The rise will bring in only some extra £14 million to the Government, as against our estimate of £30 million lost through long-term prescriptions. Prescribing for periods of up to three months makes neither financial nor medical sense."

Kremlin protest on US warships adds to superpower tensions

From Christopher Walker, Moscow

Increased friction between the superpowers took a dramatic new twist yesterday when the Kremlin delivered a strong written protest to the US Embassy in Moscow over the alleged violation by US warships of Soviet territorial waters in the Black Sea.

Nations headquarters in New York and last Friday's expulsion of a second secretary from the US Embassy here for alleged spying.

Helsinki is paralysed by strike

Helsinki (Reuters) - Finnish state employees, on a two-day walkout which has halted trains, disrupted flights and closed post offices, announced they would strike indefinitely from April 2 if no wage settlement was reached.

As many as 42,000 civil servants and other public workers began the stoppage at midnight on Monday to press for higher wages, saying their incomes had fallen sharply behind the private sector.

Britons held

Santander (Reuters) - Two Britons, identified as Alan Liddle, aged 45, and June Grace Russell, aged 38, both from London, were detained in this Spanish port for allegedly attempting to smuggle 71lb of hashish out of the country.

Sikh suicide

Amritsar (AFP) - Jagjit Singh Rode, aged 30, brother of the late fundamentalist leader Sant Jarnail Singh Bhindranwale, apparently committed suicide by throwing himself in front of a train.

Shuttle search

Cape Canaveral (AP) - The salvage ship USS Preserver arrived with more debris from the space shuttle Challenger's cabin and apparently more astronaut remains.

Boy rescued

Miami (Reuters) - A 16-year-old boy found floating off Florida in a car tyre inner tube said he spent five days drifting towards the US from Cuba.

Cyclone fury

Antananarivo (Reuters) - As many as 20,000 people have been made homeless by cyclone damage on the East African island of Madagascar.

Liberia march

Monrovia (Reuters) - Thousands of Liberian schoolchildren marched through the capital in the biggest demonstration against President Doe in more than two years, demanding payment of salary arrears to their teachers.

Vote rigging

Rome (Reuters) - Police here said they had arrested 48 people on charges of tampering with votes during polling for the Italian general election in 1983.

Hirohito tryst

Tokyo (Reuters) - Emperor Hirohito of Japan braved chilly weather just before dawn to keep a second tryst with Halley's Comet. Aged 84, he first saw the comet as a child 76 years ago.

Gas grant

Dhaka (Reuters) - Britain will give Bangladesh £25 million for natural gas exploration under an accord signed here.

Ariane launch

Paris (Reuters) - The countdown for today's launch of the European Ariane-3 rocket from the jungle space centre at Kourou, French Guiana, is on schedule. The rocket will put two telecommunications satellites into orbit.

Police accused

Warsaw (AFP) - Mr Waldemar Chrostowski, the chauffeur of Father Jerzy Popieluszko, the pro-Solidarity priest murdered by three policemen in October 1984, filed a complaint charging that his 23-year-old son had been beaten up by Polish police.

Peak fitness

Chamonix (AP) - French climber Jean-Marc Boivin, aged 34, succeeded yesterday in scaling four north-face slopes of 13,000ft French Alpine peaks in 20 hours, returning to base each time by parachute or hang glider.

ability for which will be wholly on the United States," the agency added, with what appeared a deliberate note of ambiguity.

The note said it was not the first time that US naval ships deliberately failed to comply with the laws and rules of the Soviet Union concerning the regime of Soviet territorial waters.

The Tass statement added that the Soviet Foreign Ministry had demanded "that the US side take proper measures to rule out similar provocative actions in the future".

Challenge to Sandinistas Church bigger foe than the Contras

From John Carlin, Managua

The Roman Catholic establishment is seen by the Sandinista Government of Nicaragua as more formidable opposition than the Contra rebels who, despite Washington's support, have made relatively little military or political headway after four years of fighting.

"The Church doesn't carry machine guns, it doesn't fire bullets. But it does fire ideas, and that is a powerful arsenal," the Interior Minister, Señor Tomas Borge, said.

Cardinal Miguel Obando, head of the Nicaraguan Church and an implacable critic of the Sandinistas, remarked typically in an interview that Nicaragua was "heading towards totalitarian rule".

The Cardinal exercises immense influence over an overwhelmingly Roman Catholic population of three million, and has used that influence to denounce Sandinista "persecution" of the Church which, he declared recently at the UN, takes the form of threats, abuse and censorship.

The Sandinistas, it is felt widely, will never quite consolidate their revolutionary grip on Nicaragua while Church resistance to them remains. "The Church will never take power itself, of course, but it could pave the way for someone else to do so."

That's what makes the Sandinistas uneasy, "a Latin American diplomat said.

Since the beginning of the debate in Washington over President Reagan's proposal for \$100 million (£67 million) in fresh aid to the flagging Contras, the long-running war

Street panic in Malaysia bomb blasts

Kota Kinabalu, Malaysia (Reuters) - Four bombs exploded in the Sabah logging town of Sandakan yesterday, killing a newspaper seller, wounding three policemen and causing panic in the streets, police said.

The bombings came in a wave of unrest in the past week in the east Malaysian state, where Muslim opposition supporters are trying to oust the mainly Christian Government.

Three people have been killed and seven hurt in the unrest.

An arson attack killed two women in nearby Tawau late last week and bombs here earlier hurt four people. There have been numerous bomb hoaxes, fires and demonstrations by militant Muslims.

Fines on royal tour firehose pranksters

Sydney - A prank aimed at the Queen and Duke of Edinburgh during their recent tour of Australia led to fines of \$Aus200 (about £95) each for two young men who doused royal-watchers with a firehose (Stephen Taylor writes).

Liam McBride, aged 18, and Fred Saad, aged 24, pleaded guilty at a district court in Sydney to offensive behaviour. They hosed a crowd from a building opposite a hotel when a royal reception was being held on March 4 and narrowly missed the Queen. Saad said: "We were up there to get a better view and saw the hose and thought it would be a good prank."

They later sent a letter of apology to the Queen. They faced a maximum fine of \$Aus250 and three months

Sabre rattles in the Golan

From Ian Murray, Allonah Habashan, Golan Heights

Mrs Dina Hoffman from Manchester lives in a red-roofed little house here in what President Assad of Syria says should be "the heart" of his country. The house is 40 miles from Damascus and 100 miles from Jerusalem. More relevant to Mrs Hoffman is the fact that it is little more than one mile inside the Israeli ceasefire line across the Golan Heights.

Last week Israel handed in a strong note of protest at the United Nations about what it considers a dangerous sabre-rattling by President Assad. In claiming that this remote and beautiful area should become the heart of his country, the Syrian leader has given new force to the old Israeli fear of an invasion to win back the strategic heights.

This little community is the nearest one to the Syrian line built at a point where what the UN calls the AOS (Area of Separation) between the Israeli and Syrian troops is at its narrowest. It is along here that Israeli Army planners believe



Michele Sindona in the dock in Milan. He was not present for yesterday's verdict.

Sindona gets life for killing

Milan (Reuters) - A Milan court yesterday sentenced the Sicilian financier, Michele Sindona, to life in prison for ordering the murder in 1979 of a lawyer who had been appointed to wind up his failed Italian bank.

A life term was also imposed on Robert Venetucci, an American accused of acting as intermediary between Sindona and William Joseph Arico, who the prosecution claimed was hired to kill the lawyer, Giorgio Ambrosoli.

Sindona, aged 65, and Venetucci were extradited to Italy in 1984 from the United

States, where Sindona was serving a 25-year sentence for fraud connected with the collapse of his Franklin National Bank.

It was not known whether Sindona, who was not in court for the verdict, would be sent back to the US to finish serving his 25-year term.

Sindona was convicted of paying Arico, an Italian American, to kill Ambrosoli, four years after the lawyer was

appointed to wind up Sindona's bank, the Banca Privata Italiana.

Arico died in 1984, apparently while trying to escape from a New York jail after giving evidence to US judicial officials that Sindona had paid him \$40,000 (£27,000) for the murder.

Sindona rose from modest origins to become a high financier and Vatican adviser. The prosecution claimed that he wanted to rid himself of Ambrosoli because the lawyer opposed his efforts to drum up political support for a plan to revive his businesses in Italy.

Italian wines seized after three deaths

From Peter Nichols, Rome

About 5,000 bottles of wine were seized from the shelves of three supermarket chains in Italy when three people died after drinking wines from the same producer.

The victims were in the Milan area, but the investigation has been extended to Piedmont and Liguria, where the wines are also on sale.

They are Barbera and a cheap white wine, both bottled by the Odore company of Incisa Scapaccino near Asti, but not exported.

Tests on bottles from the supermarkets and stocks are understood to show an illegally high content of methyl alcohol. Wine treated with methyl alcohol can be lethal if drunk in large quantities. The farmers' union in Asti says price is the consumers' best indicator. If it is too low, quality may also be low.

The three victims, who suffered severe pain in the head and intestine, are said to have been alcoholics. Two other people have been treated but are out of danger.

Iran says it wrecked naval base

Tehran (Reuters) - Iranian forces have destroyed Iraq's main naval base and bombed an area near the highway from Baghdad to Basra, a war communiqué claimed yesterday.

The report said: "Ground force and naval units of the Islamic Revolution's Guards Corps... destroyed the only Iraqi naval base and jetty in Umm al-Qasr."

Tehran radio said irreparable damage to the base and jetty was inflicted "by the heavy fire of long-range artillery of ground force and naval units."

The base, 31 miles southwest of Basra, Iraq's second major city, is linked to the northern Gulf by a waterway captured by Iran in its "Dawn 8" offensive launched on February 9. Shortly after that offensive began, Iran said it was able to block access to the base and thus oust Iraqi naval units to the Gulf. But yesterday was the first time it had reported shelling the base itself.

● BAGHDAD: Iraq said its aircraft yesterday attacked an Iranian oil refinery at Isfahan, reducing it to rubble (Reuters reports).

"Our war planes raided the refinery... dropping tons of explosives and reducing it to smouldering piles," a military spokesman said.

EEC says refund may have to be returned

From Richard Owen, Brussels

The EEC Commission yesterday confirmed that Britain would be repaid £18 million after the European Court at Luxembourg ruled that spending added to its 1986 budget was illegal. But it then warned that Monday's verdict could be reversed in the summer.

Britain won an interim injunction against the Parliament, thus freezing extra spending on social and regional funds until July, arguing that it would cause "serious and irreparable damage" to Britain. However, it had al-

ready paid £18 million towards the additional expenditure.

Officials said the money would be returned but that Britain had only proved there was a prima facie case against the Parliament.

A Commission spokesman said the exact budget for 1986 would not be known until next month.

The Commission is expected to call for another £2 billion before the 1987 budget guidelines are set in the summer.

Chirac to consider Mitterrand offer

Continued from page 1 and without compromise or concession".

He insists that the President guarantees that he will honour to the letter Article 20 of the Constitution, under which the Government is given the power "to determine and carry out the policies of the nation".

He also insists that the Prime Minister share with the President the right to make decisions on foreign policy and defence matters, suggesting that the Prime Minister should, for example, accompany the President to international summits.

M Chirac has been the front-runner for Prime Minister all along and is backed by the two main right-wing parties and most of the 14 new "diverse right" deputies on whose support the two parties are going to have to depend to form an absolute majority in the National Assembly.

Ten years ago, M Chirac made history by becoming the first Prime Minister under the Fifth Republic to resign his post voluntarily.

He now looks likely to make history by becoming the first Prime Minister under the Fifth Republic to be appointed by a President of a party opposed to his own.

Contrary to some expectations, it appears that President Mitterrand wanted to move quickly after Sunday's elections to nominate a new Prime Minister and get a new Government into place to avoid giving an impression abroad of instability and weakness.

Election lesson, page 12

Man faces Palme murder charge

From Christopher Mosey, Stockholm

Swedish police have now charged a man with the murder of the assassinated Prime Minister, Mr Olof Palme. He will appear in court tomorrow.

Victor Gunnarsson, aged 32, a former watchman, was originally arrested on March 12 on suspicion of complicity in the murder of Mr Palme. The charge against him now is of "complicity as perpetrator".

Mr Hans Nielsson, a Stockholm lawyer, told The Times: "Under Swedish law a man can be a perpetrator of a murder such as this without actually holding the gun or pulling the trigger."

"He could hand the gun to someone else who then fires it. But he is still charged with murder."

Police are now investigating his links with the European Workers' Party, an extreme right-wing political group based in Weisbaden in West Germany, which has for several years conducted a virulent campaign against Mr Palme and which advocates Sweden abandoning its policy of neutrality and joining Nato.

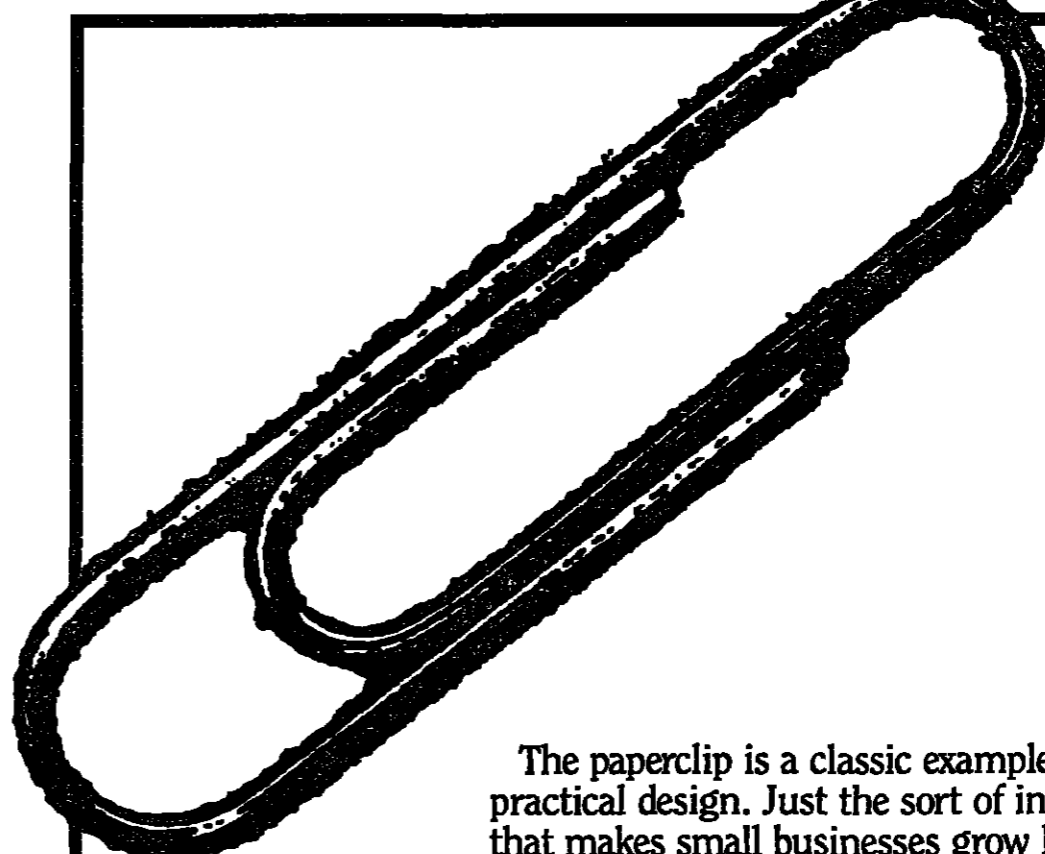
Mr Gunnarsson's name appears on a list of party members registered with the Swedish taxation authority in 1984.

The party was responsible for the printing of much of the anti-Palme literature found in Mr Gunnarsson's flat in a suburb south of Stockholm.

Mr Michael Eriksson, spokesman for the European Workers' Party in Stockholm, yesterday denied that the party was involved in the assassination of Mr Palme. He said Mr Gunnarsson was no longer a party member.

The hunt continued yesterday for the magnum revolver thought to have been used to shoot Mr Palme. Police searched a churchyard and a cinema into which Gunnarsson is alleged to have dashed some time after a late-night film had started and not long after the murder of Mr Palme on February 28.

Gunnarsson's 34-year-old former wife, who now lives in the United States told the Stockholm evening newspaper Aftonbladet: "For him the USA was the angel and the Soviet Union the devil and he thought Palme would lead Sweden into the devil's grasp."



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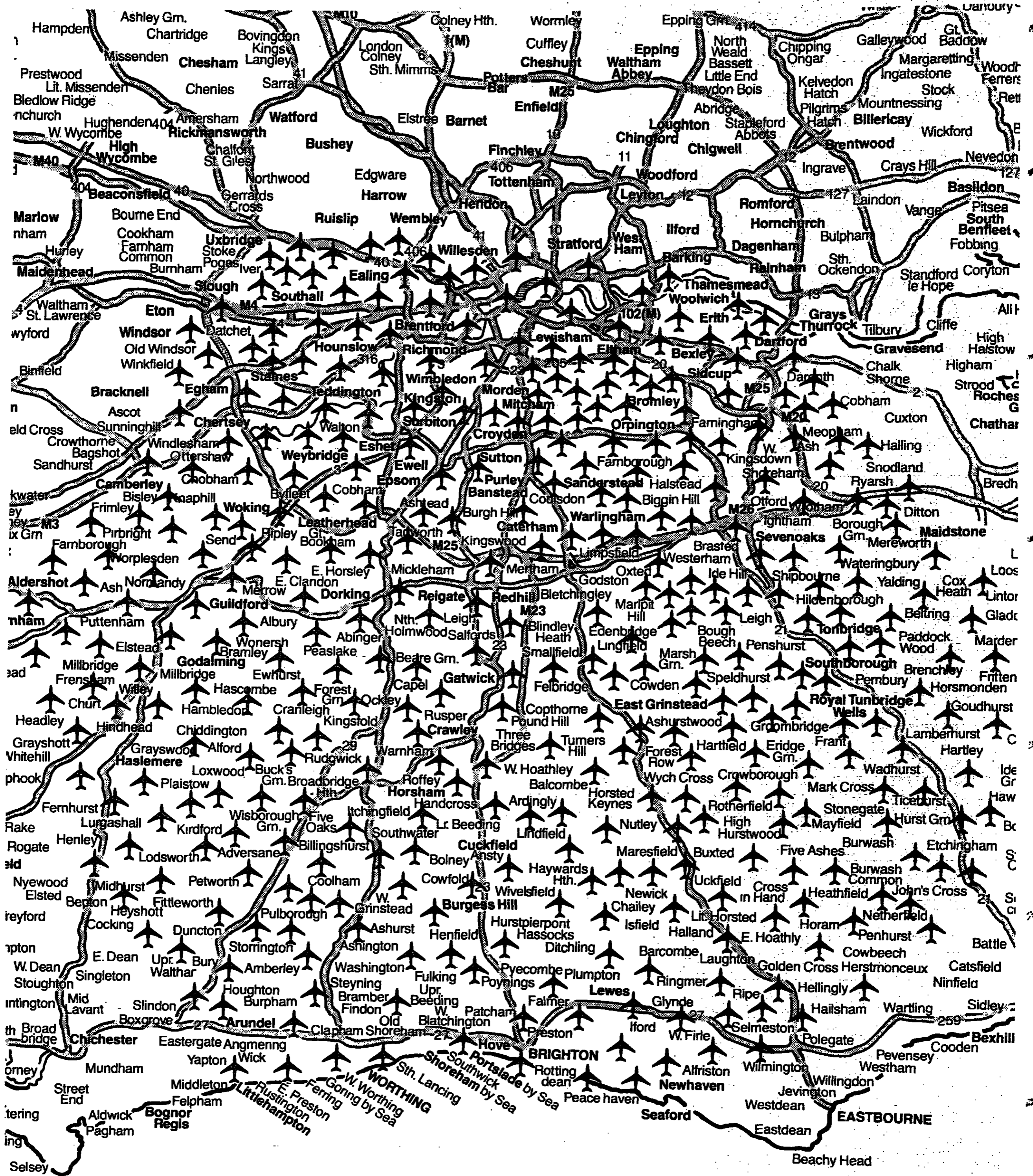
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Philippines troubles rumble on

Ceasefire efforts under threat from flare-up in communist attacks

From Keith Dalton
Manila

A flare-up in communist rebel attacks in the Philippines, in which 45 people have died, is jeopardizing military and church efforts to strengthen the current de facto ceasefire in the 17-year insurgency.

The bloodiest clash since the February 7 poll left dead 15 rebels, seven soldiers and the wife of an enlisted man after a heavily armed band of 100 New People's Army (NPA) guerrillas attacked a rice warehouse and compound in northern Cagayan province.

A roadside ambush by 30 NPA members in central Negros island killed eight government workers and four militiamen in a Jeep on a mountain highway.

NPA squads were blamed for the execution-style killing of three paramilitary troops in Pagadian city on the war-torn southern island of Mindanao. Further south, in Davao city, seven people were killed in two shooting incidents.

The nationwide incidents were, however, sporadic and isolated, and military officials believe the attacks are pockets

Rights inquiry

Manila (Reuters) - President Aquino yesterday named a leading criminal lawyer, Mr. Jose Diokno, to head a Philippines human rights commission with wide-ranging powers, including the right to reopen investigations into her husband's murder. Killings, torture and other violations under the former Marcos government will also be investigated.

of renewed rebel activity in traditional "hot spots" rather than an all-out resumption of fighting.

A de facto ceasefire, called before the election and essentially still in force since the ousting on February 25 of former President Marcos, appears to be holding in most parts of the country.

Both sides agree that the level of fighting is much reduced from last year's daily average of 10 clashes and 15 deaths.

Communist Party leaders have denied official claims at the weekend that a ceasefire is in effect in three central islands - Negros, Cebu and Bohol - although military

officials report declined rebel activity.

The head of the Roman Catholic Church on Negros island, Bishop Antonio Forich, in a private meeting with President Aquino, offered the help of the 110-member Catholic Bishops Conference of the Philippines in her attempts to initiate a six-month ceasefire and peace talks with the estimated 16,000 left-wing guerrillas.

"We should ask the New People's Army leadership if they are interested in reconciliation," the Defence Minister, Mr. Juan Ponce Enrile said. "Over the last week we have lost a number of government people to rebel raids despite official ceasefire proposals."

Mr Enrile also accused Mr Marcos of attempting to sow intrigue in the new government by suggesting they had entered into a political agreement during the three-day military revolt.

The defence chief said he had made no agreement with Mr Marcos before, during or after the revolt, and said that he had categorically rejected a last-minute proposal that Mr Marcos become "honorary president" while he ran a provisional government.

Grief of a Tamil mother

From Michael Hamlyn
Jaffna

Mrs Pathmavathy Suntheralingam, a short dark woman with round features, aged 30, did not look at the wall as she spoke. She gestured to it with diffident flicks of the back of her hand. It was spattered low down with a brown stain like a huge gob of betel juice.

"This is where I found my son's body," she explained. Then there was a catch in her voice and her brown eyes moistened and filled. "His head," she said, "was over there, on the other side of the wall."

Her son, Mayutharam, aged seven, was in the chill field on the other side of the wall, watering the banana tree when the bombs fell. He was with a young servant boy, his companion, Sengar, aged 12. He too was killed by the bomb which fell in the field. His legs were severed.

The children were victims of a bombing raid by the Sri Lankan armed forces aimed at a house 40 yards away which they said was a hideout for Tamil rebel guerrillas, fighting to establish a separate Tamil-dominated state in the north and east of the island.

The local residents say - they would, of course - that it was not a rebel hideout but simply a residence for some young people working at a weaving factory nearby. But whether or not it was a hideout or a hostel, the government's intelligence cannot have been too accurate for at the time they struck, the young people were out at work and the only people killed in the raid were the elderly caretaker and the two boys.

Other people were lucky. Mrs Raja Sivalingam, whose doctor husband was away in Colombo, heard the plane circling before the attack and ran to hide in her outside loo, which had a heavy concrete roof. Her house was badly damaged by bombs which fell in the road between her home and the big house opposite, but she was safe. The businessman who lived next to the "hideout" had his house completely destroyed, but he was out at work and so lived.

The raid was one of a series of suspected guerrilla hideouts in the Jaffna district, the most densely populated Tamil area in the island republic. They were made by helicopters and fixed-wing Italian two-seater turbo-prop planes which have bomb and rocket racks jury-rigged on to them.

The bombing raids have now been stopped on orders of the National Security Minister, Mr Lalith Athalathumudali, who told me they were too inaccurate. Rockets are more accurate, but they too have been stopped for a week, as part of a new peace initiative from the Sri Lankan Government. The initiative has so far been rejected by the militant groups. It is possible to see why the aerial bombardment is a useful tool for the government forces. Since the ceasefire of last autumn the armed forces in the Jaffna district have been more or less entirely confined to barracks, those barbed-wire entanglements around forts or airports or police stations. Control of the streets and fields has been left to the rebels. The air raids give the armed forces the feeling that the initiative is not wholly lost and enables them to carry the war to the militant forces.

When I visited the Jaffna Peninsula during the ceasefire last year, there was a good deal of feeling against the militants. They had upset local opinion with a series of brutal robberies and there was a hankering for the return of the Sri Lankan police to keep order. That feeling has now virtually gone.

"The boys" are, once again seen as the only defenders of the local population has against the armed forces' terror. "Before there was a line, however thin, between the militants and the people," said Professor A. Sivathambi, chairman of the local citizens' committees. "Now that line has disappeared."

Marcos riches hunt aided

From Michael Binyon, Washington

A federal judge has refused to bar the release to the Philippines Government of copies of hundreds of financial documents brought to Hawaii by former President Ferdinand Marcos.

This allows the State Department to give the special Philippines investigating commission the records it believes essential in tracking down the vast wealth and holdings of the Marcos family overseas.

The ruling by the US Court of International Trade in New York on Monday came after Mr Marcos had attempted through two aides to block their release by the US Customs Service, which has been holding them since their arrival on a US plane. Mr Marcos, who is still staying at the Hickam Air Force Base in Hawaii, was not a party to the suit. The judge ruled that the aides had no standing to assert their claims on his behalf.

Last week Mr Jovito Salonga, head of the Aquino

Government commission investigating Mr Marcos's wealth, arrived here for talks with the Administration, which has promised to cooperate in the attempts to return money legally belonging to the Manila Government. A Congressional sub-committee has also asked for copies of the 1,500 documents to help its investigation into Marcos property and other holdings in the US.

Mr Marcos is reported to be furious at the bad publicity he has received since his arrival. American television has shown at length the video tapes of lavish parties given by him and his wife Imelda, dwelling on the treasure trove of clothing and luxuries left behind in the Malacanan Palace. Mr Stephen Solaz, head of the House committee on Asian and Pacific affairs, has just returned from Manila and said that compared to Mrs Marcos, Marie-Antoinette was a "bag lady" (down-and-out).

Mr Marcos is also said to be insulted by what he sees as the lack of respect from the Reagan Administration, which promised him safety and dignity in the US. He has put out feelers about possibly moving to Spain, Mexico or Panama. But Spain has already made clear that the ousted President would not be offered a haven there.

Ironically, Mr Marcos is protected here by the fact that there is no extradition treaty between Manila and Washington, something he pushed for when President. The State Department, however, always held back because it feared Mr Marcos would use it to bring back his political opponents living in the US.

Meanwhile, his closest aide, General Fabian Ver, has been subpoenaed to testify in a Washington suburb before a federal grand jury looking into the possible misuse of US military aid to the Philippines.

Canadian senator's jobs fast

From John Best
Ottawa

A Canadian senator, aged 62, today enters the ninth day of a hunger strike called to draw attention to Canada's "lost generation" of unemployed young people.

Senator Jacques Hébert, of Montreal, has been subsisting on mineral water since he started his fast at noon on March 10 in the rotunda outside the Senate chamber.

During the day, he holds court with a steady stream of well-wishers, journalists and the merely curious, who come to visit him and talk about the gigantic social problem.

At night, he crawls into a plain blue bedroll and goes to sleep on the marble floor. At the weekend doctors pronounced him healthy and fit, but he says he gets tired from the non-stop daytime audiences.

Senator Hébert, a close friend of Canada's former Liberal prime minister, Mr Pierre Trudeau, began the strike after the Conservative Government decision to scrap a youth community-service programme called *Katimavik*, which he helped to found when Mr Trudeau was in office.

In a letter to the Prime Minister, Mr Brian Mulroney, he vowed to continue his protest until the Government shows it intends to take action on youth unemployment.



Princess Cristina, daughter of King Juan Carlos of Spain, dipping her feet in the sea at Cannes yesterday before competing in a water-skiing event on the French Riviera.

Row rages over gay rights in New York

From Christopher Thomas, New York

A fierce political fight is raging in New York over a plan to forbid discrimination against homosexuals in employment, housing and public accommodation.

Every year for the past 15, the city council has thrown out homosexual rights legislation, but suddenly, a key council committee has voted heavily in favour of wide-ranging protection for gays.

The council is to vote on the proposals next week and the latest unofficial count shows that the 35-member council is edging one or two votes in favour of the measures. Mayor Edward Koch supports the

Concrete slab blocks hotel woman's rescue

Singapore (AP, Reuter) -

Rescue workers tunnelling towards a woman whose voice was heard from the rubble of a hotel that collapsed last week had to give up yesterday when they ran into a concrete slab.

Mr Russell Black, a New Zealander who is a construction manager on Singapore's new underground system, said workers believed they were within a yard of the woman when they encountered a difficult section of concrete. They began digging another tunnel from a different direction.

The body of an unidentified woman was recovered yesterday, raising the confirmed death toll to 11. Rescuers freed 16 survivors

in three days of digging since the New World Hotel collapsed on Saturday. Mr Lim Siam Kim, director of operations at the Home Affairs Ministry, said about 75 people were believed to be trapped in the rubble.

Mr Lim released on Monday a list of names of 19 foreigners and 28 Singaporeans who are missing.

But a West German couple listed by police as missing were found having breakfast in another hotel yesterday.

Meanwhile, a survivor, Mr Boey Mun Wai, claimed that a rescuer burrowing under the hotel demanded money from a dying woman before trying to save her.

ANOTHER PLUG FOR TOSHIBA

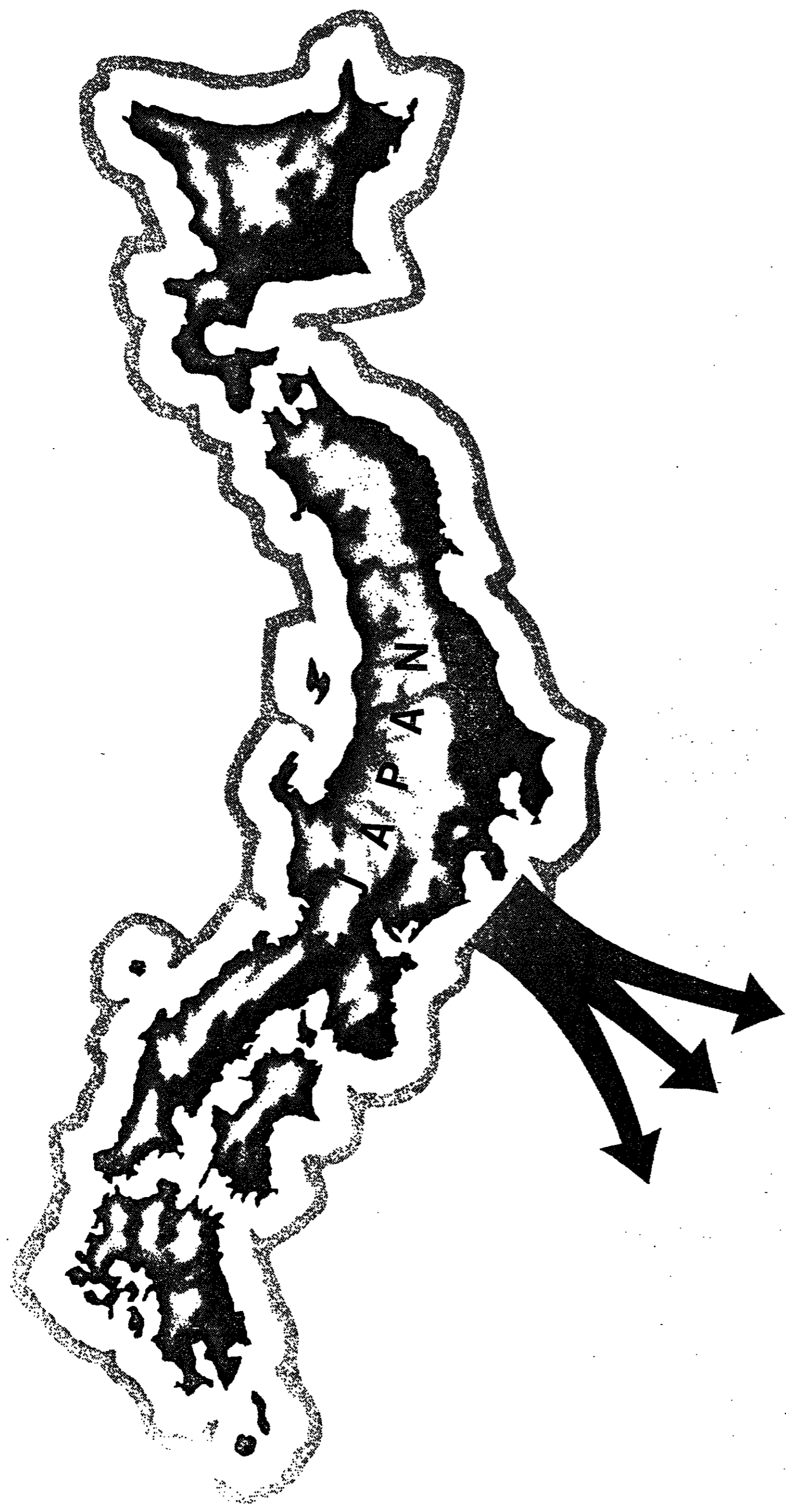
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In Touch with Tomorrow
TOSHIBA

In the last 11 years Nissans have been exported by a small island with a highly skilled workforce.

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In Japan, the people who build Nissans have a variety of skills and they're encouraged to use them.

There aren't the strict job demarcations that have done the British motor industry so much harm.

New ideas and ways of working are welcomed.

So people are more involved, more satisfied, more employable, less bored and better paid.

There isn't a wide gap between managers and workers: the general manager of the Nissan factory in Tokyo wears the same work clothes as the men on the line.

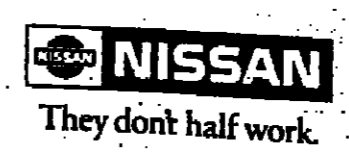
And every morning, workers and management get together to see how they can make things better.

The relationship is friendly and constructive. For a long while there has been an agreement which has made disputes unnecessary. As a result, no-one has ever been made redundant either.

As a result, the cars these people make are better. To the extent that every one has a 100,000 mile/3 year warranty.

In 1985, the 1,100,000th Nissan made the thirty-day sea crossing from Japan to England.

In fact, they've been the top imported car in Britain for eleven years running.



الجزيرة

In the next 11 years Nissans should be exported by a small island with a highly skilled workforce.



In England, the people who will build Nissans have a variety of skills and they'll be encouraged to use them.

There won't be the strict job demarcations that have done the British motor industry so much harm.

New ideas and ways of working will be welcomed.

So people will be more involved, more satisfied, more employable, less bored and better paid.

There won't be a wide gap between managers and workers: the general manager of Nissan's new Sunderland factory will wear the same work clothes as the men on the line.

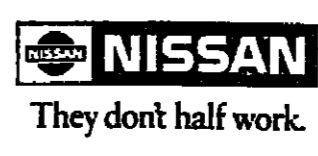
And every morning, workers and management will get together to see how they can make things better.

The relationship will be friendly and constructive. Already there's an agreement with the AUEW which has been designed to make disputes unnecessary. No-one should ever need to be made redundant either.

As a result, the cars these people will make will be better. To the extent that every one will have a 100,000 mile/3 year warranty.

In the 1990's, over 100,000 Nissans a year should be made in Britain. Many of them will cross the sea to Europe.

In fact, they could very soon become the top imported car in Europe.



SPECTRUM

Despite the pressure to stay at the top, in the world of women's tennis friendship still plays an important part

The rivalry that melted the ice

In the final part of his series, Richard Evans meets the champion they used to call the Ice Maiden and finds both a warm regard for Navratilova and a lively sense of humour in Chris Evert Lloyd (right)

Chris Evert Lloyd was sitting in the corner of the tournament office at Moody Coliseum, Dallas, having her hair done. Mrs Lloyd in curlers, making faces at herself in the mirror is not quite the image the public has of this remarkable champion who was quickly dubbed 'Ice Maiden' when she burst on to the tennis world in her teens.

The ice can still form when Lloyd feels in need of a protective layer, but there is now a wider realization that, underneath, lies a very different kind of woman.

If she, like Martina Navratilova, can pull the cold superstar act whenever she feels pressured or vulnerable, she is far less inclined to build a wall of superiority between herself and her peers than the reigning Wimbledon champion.

On rainy days in Perugia I have watched her cut cards and crack jokes with young players, clearly in awe of her. Last week in Dallas this multi-millionaire, possibly one of the 20 best-known women in the world, wandered around the large room that serves as a central meeting point for everyone connected with Nancy Jeffett's friendly tournament as if she was just another player.

It isn't always like that and she admitted, as soon as we began to talk about her relationship with Martina, that the distance which had grown between them recently had much to do with second and third-hand chat emanating from the people around both of them.

"A lot of it starts in the press conferences because everyone is focusing on our rivalry so much more now", she said. "There's more pressure on both of us, as soon as one makes a comment about the other, it gets blown out of proportion. And then every one starts talking and you get down to the 'I said...' syndrome which makes direct communication really difficult."

So there was a problem? "No, not really. But I would like to talk to her about some things she has been saying about my image and relation-

ship with the press, and how I always come out smelling of roses. Martina seems to doubt that I am being 100 per cent honest - which is ridiculous. I have been in the public eye since I was 16 and have always tried to be myself with the media. It's the only way I know."

That didn't mean, though, that she was prepared to reveal 100 per cent of herself to the world. "No, I couldn't do that, or I'd lose myself completely. You have to hold on to something that is for you and those close to you. If I were public property I would find it impossible. Martina is different from me in that respect. She lives her life honestly and openly with no thought for appearances, and I respect her for that. But it would be impossible for me, the way I've been brought up. I've always been taught to be more cautious; to understand the consequences of one's actions."

Lloyd gave one of her self-deprecatory laughs. "My God, there's no way anyone could have been brought up in my house and then gone out and shared themselves with the world."

It must be said, however, that for a good Catholic girl the former Miss Evert from Fort Lauderdale hasn't made too bad a job of it. Not with the casual flamboyance of Miss Navratilova, of course, but interviews have not exactly glossed over the fact that there were relationships with people both prior to, and during, her marriage with John Lloyd.

But if John has proved himself a devoted and understanding husband who conducted himself with a great deal of strength and dignity during the problem period of their marriage, Chris was never going to be anything less than a handful as a wife - as she is the first to admit. "I am a more demanding person than John and he is incredibly tolerant of my moods", she told me once. "I'm not denying I can be difficult."

When I met her, waiting for John to return from his Davis Cup success against Spain ("Wasn't that great? He plays so well for Britain"), she was in a pretty relaxed frame of



"If I were public property I would find it impossible. Martina is different"

mind. She had made a successful start to 1986 - no defeats in three tournaments.

"Yet, it has been great and I am eager as ever to play", she said. "The only thing I haven't achieved so far this year is a victory over Martina." (In fact Navratilova beat her when they did meet at the weekend). What exactly was her relationship with the woman whose career was so intertwined with her own?

"God, what is my relationship with Martina, will some

one tell me?", she laughed. "There are moments when I don't think I know. But, seriously, I think mutual respect is at the base of it. No matter what happens now while we are still competing, the basic friendship will survive. I am sure of that. I know if I had a real personal problem I could go to Martina with it and she would respond."

There was a time, just after Martina had defected from Czechoslovakia, when the two

of them played doubles and were very close. "Yes, we used to discuss everything together then", Lloyd said. "I used to tell her all about my problems with boyfriends, and we really got to know and care about each other. It's just so much more difficult now."

Technically, on court the relationship and the rivalry has forced both players to reach for new levels of excellence and skill. "Strength, too", she added.

"When Martina beat me so badly on clay in the French Open in '84, I was in a daze for months. Then I became determined to at least challenge her. I mean, I couldn't have gone on losing to her like that." That victory gave Navratilova her Grand Slam from which she collected a cheque for \$1million - the prize provided by the International Tennis Federation, and underwritten by Lloyds of London; Chris Lloyd had previously lost the United States Open to her rival.

So with the help of my Californian friend Kathy Smith, who is an aerobics expert and later at Stan Nichole's gym in Melbourne where John had been working out, I started to make a serious attempt to build up my strength.

And had it actually made her a better player? "Absolutely. I feel stronger physically and in turn that builds up your confidence psychologically. It also changes the way you look. Wanna see?"

The sudden, darting glance, full of flirtatious humour, pops out of nowhere and is typical Chris. As her close friends know, she finds it almost impossible to get through a serious conversation of any length without at least a couple of throwaway lines filled with innocent sexual innuendo. But the sense of humour is well-rounded, and she is capable of seeing the funny side of any situation.

"I am being more aggressive on court now, but it doesn't always work out the way I want", she told me. "At the Australian Open last year when I was about to play Betsy Nagelsen, John's coach Bob Brett urged me to at least try some serve-and-volley tactics early on to put pressure on her. So even though the grass was a bit wet underfoot I thought, 'OK here goes', went charging in, and slipped and fell right on my butt. Great! You can imagine how happy that made me. I was so embarrassed."

Just as the hairdresser calls her over for a quick tidy up in the far corner of the room, the towering figure of Ted Tining appears round the door. "Ah, there you are," he said. "I was just telling some one that you are the most gracious champion the game has ever known".

Chris beams and gives one of her 'Gee, what am I supposed to say to that' looks and bids farewell. But Tining was right, of course. In an age when that particular quality is hardly prevalent in sport, or in any other sphere of society, Chris Evert Lloyd is gracious. And sexy, too.

The race for records

For tournament promoters, the possibility of getting Navratilova and Lloyd as singles finalists of their event is, of course, the ultimate dream. The fear of losing either through injury, once they have contracted to play must be the ultimate nightmare.

Nancy Jeffett, who has built women's tennis from the ground up in the Mid-West through her much-respected Maureen Connolly Brinker Foundation, did some quick sums when I asked her what it would have cost if both Martina and Chris had been forced to pull out of last week's Virginia Slims of Dallas at Moody Coliseum.

"We would have lost virtually all our walk-up gate", she said. "I would estimate that at something close to \$100,000. Fortunately we have a high percentage of loyal box-holders and advance ticket buyers who are committed anyway, but there is no doubt about the drawing power of the two top players."

So the great rivalry which is giving women's tennis its lustre is also creating a problem. Total domination by just two players is not entirely a good thing. Because Miss Navratilova and Mrs Lloyd keep winning, there is a tendency to dismiss the rest of the field as second-rate. This is neither fair nor accurate.

The general standard is better than ever, especially between 20 and 100 on the WTA computer where today's players would wipe the court with their predecessors of 10 years ago. And in the top 20, teenagers such as Steffi Graf, Manana Malieva, Gabriela Sabatini, Kathy Rinaldi and Stephanie Rehe are all capable of dramatic improvement.

In addition, Navratilova has already been beaten this year by the experienced Kathy Jordan while Helena Sukova, who beat her in the Australian Open in 1984, gave her another tough match just two weeks ago in the United States Indoor Championships in Princeton.

Nevertheless, the gap between Martina, Chris Navratilova, Lloyd and the rest is still distinct and no one expects that to change in the immediate future. Which means more and more of the world's top titles are going to fall into the hands of the two women who have dominated all courts and all surfaces for the past decade.

While Lloyd is determined to extend her incredible feat of having won at least one Grand Slam title Wimbledon, French, United States or Australian Open) every year for 12 years, Navratilova aims to eliminate any argument concerning her own status as the greatest player

of all time by rewriting the record books.

"That means she still has a lot to do", Mike Estep, her coach, admitted, "and was one reason why I encouraged her to start playing mixed doubles again. If she is chasing Margaret Court's record all those titles count."

There are numerous different goals for Martina to set her sights on, but Mrs Court's total of 64 Grand Slam titles in singles, doubles and mixed is certainly a tall order. With only 37 so far, Navratilova still has a long way to go.

If one reduces that to singles titles only, then Court is still way out in front with 25. Navratilova could even have a tough time catching Lloyd, who is in third place on the all-time list and leading Martina 17-13.

"Of course statistics can always say what you want them to say," says Teddy Tining, cutting to the heart of the matter in his customary forthright manner. "Margaret was a great champion, but the figures are really inflated in her case because 11 of those singles titles were won in Australia when no one else in her league was competing."

Trimming still further, one can get down to Wimbledon itself - and there is nothing inflated about that. Nor is there any need to talk her air about Navratilova's women's singles titles. At the moment she has won six, the same number as Billie-Jean King, Mrs Dorothy Lambert Chambers won seven before the First World War.

As far as an unbeaten run of matches is concerned, neither Navratilova, with a streak of 74 on all surfaces, and Lloyd, with 125 on clay alone, have much chance of catching Suzanne Lenglen, the amazing French star who made women's tennis headline news long before its time.

"I know she was unbeaten between 1921 and 1926", says Tining, who inspired more than 100 of her victories, "but arriving at an exact figure is very difficult because records were so poorly kept. Let us just say she got very close to 200."

THE WINNERS

- CHAMPIONSHIP TITLES Singles, doubles and mixed: Margaret Court 65 Billie-Jean King 38 Martina Navratilova 37 Doris Hart 33 Helen Wills Moody 31 Louise Brough 28 Margaret Dupont 28 Elizabeth Ryan 28 Suzanne Lenglen 21 Chris Evert Lloyd 20 Singles only: Margaret Court 25 Helen Wills Moody 19 Chris Evert Lloyd 17 Martina Navratilova 13 Billie-Jean King 12

Fame at last for a great unsung adventurer

Even in this age of media saturation, the most remarkable lives may go unnoticed. You can have been a pioneer of mountaineering, cycled across Africa and fought with the Italian Partisans; you can mount shoe-string expeditions on an historic yacht to cross the Patagonian ice-cap, get shipwrecked, and conquer unexplored mountains in the Southern Ocean, and still remain virtually unknown. You can even publish 15 beautifully-written books on your adventures, yet never appear on television.

I can offer you proof of this startling theory. His name is or was, for he was lost the sea nine years ago - Major Harold William Tilman. His mountaineering exploits, including the historic 1936 ascent of Nanda Devi, were admittedly completed before Everest brought popular fame to climbers; and his 2,000-mile bicycle trip through the jungle was in the 1930s. But his sailing days were the 1960s and

Reticent, eccentric, tough and fearless, Major Tilman was a Victorian explorer who lived 50 years after his time...



A man of few words: Harold William Tilman

'70s, and it seems strange that such a hero has remained unsung. Tilman crossed Bylot Island in Baffin Bay, rejoining his wooden pilot-cutter with its patched sail just as he had reached his last biscuit; he walked over the Patagonian ice-cap and swam in the freezing waters of Lake Argentina; wrecked two boats and went on, at 75, to circumnavigate Spitzbergen in a third. There was no publicity; it was just a matter of 'Old Bill Tilman, off again. God help him,' and a gun fired in salute by the members of the Royal Lynton Yacht Club. (Tilman would insure his boat

interviews and book-signings. He recruited his crews through a severe advertisement in The Times: "Hands wanted for long voyage in small boat: no pay, no prospects, not much pleasure".

He was famous for saying very little. His climbing companion in youth, Eric Shipton, once turned to him on a Himalayan ledge, and said: "Tilman: we have climbed many mountains together in Africa and Asia. We have depended upon each other in many dangerous situations. You have saved my life. I have saved yours. Is it not time you called me Eric?". Tilman replied: "No".

Some time later, Shipton asked why not; to which Tilman, after reflection, replied, "Because it's such a damned silly name."

"He was too tough for the modern age", said one of his crews; even in Tilman's seventies his young volunteers sometimes found it hard to keep pace with his toughness,

his fearlessness, and his insistence on cold curry for breakfast. On one occasion David White, ship's cook, after a week in the North Sea, asked to put ashore in Scotland. Tilman's reply was "Request not granted." The next stop, he explained, was Bear Island, some 1,200 miles to the north. Mr White settled down, in the end.

Tilman sailed 114,000 miles before he lost his first boat Mischief, and in 24 years of perilous voyaging, only one man's life was lost, in a freak accident. His last voyage was in 1977, when, aged 79, he joined an expedition to the Antarctic, led by one of his former volunteers, Simon Richardson. Somewhere south of Rio, boat and crew vanished.

Now, at last, the publicity machine has caught up with Tilman: he is on film, starting on ITV next Tuesday. Nobody thought there was any film. John Mead, of HTV, happened to hear of Tilman's existence while filming at his

old home in Wales. "There were these piles of film cans in the attic with three inches of mould growing on the stuff inside. I sent them to the London Film Clinic, just in case."

The sailing film came back, saved, silent but eerily vivid, and gradually a film document began to emerge.

Dorothy Richardson, mother of that Simon who led the fatal expedition of 1977, has edited and amplified most movingly her son's diaries of his time with Tilman (she is publishing them this year) and Mead gave her the last word in his programme: "They went off on a beautiful day. They had a marvellous sail to Rio; in his letter, Simon said, 'If we get no further, it will all have been worth while.'"

Libby Purves

Tilman - An Extraordinary Life, ITV, March 25, 10.30-11.30pm

CONCISE CROSSWORD NO 903

Crossword puzzle grid with clues for Across and Down. Clues include: 1 Food basket (6), 4 Confirm (6), 7 Horseback outing (4), 8 Vague (8), 9 Bury (8), 13 Place (5), 16 Understanding (13), 17 Road substance (3), 19 Wages (8), 24 Sidewalk (8), 25 Distress (4), 26 Tysan (6), 27 Barter (6), 1 Injury (4), 2 June solstice (9), 3 US cattle farm (5), 4 Sensations (5), 5 Regulation (4), 6 Chance happening (5), 10 Oath (5), 11 Detect (5), 12 Boredom (5), 13 Punishing (9), 14 Tinge (4), 15 Highlander (4), 18 Moderate (5), 20 Representative (5), 21 Nick (5), 22 Military ransombot (4), 23 Gals (4).

SOLUTION TO NO 902: 1 Maria 5 Late 8 Union 9 Visored 11 Glossary 13 Inmate 15 Reorganisation 17 Ague 18 Persuade 21 Tribune 22 Robed 23 Envy 24 Table. DOWN: 2 Amigo 3 Inn 4 Advertisement 5 Liza 6 Through 7 Juggernaut 10 Diminutive 12 Skid 14 Bass 16 Caution 19 Ambie 20 Buoy 22 Rob.

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Edge of stardom

Joanne Whalley, fresh from a television triumph, finds herself running from praise. Bryan Appleyard met an actress who tends to avoid interviews to avoid interviews



Joanne Whalley avoiding type-casting in her latest role as Cheryl (left), would-be nightclub singer. "I was over the moon when I got the part."

It is a well known but insufficiently acknowledged fact that the young know nothing. This can usually be deduced from the evidence lying all about us that they have nothing to say. Unfortunately it is generally difficult to find a younger honest enough to come clean. But Joanne Whalley does.

"To be really honest I haven't got that much to say... nothing earth shattering that is going to change anybody's life. And also I think people get quite sick of opening newspapers and things and seeing this person saying, 'Hello, it's me again, still saying nothing.'"

But endlessly saying nothing is, of course, the price of fame. Whalley is 24 and has been called "one of the best actresses of her generation" and "one of the most important actresses of 1985". That sort of thing can ruin a career and it reeks suspiciously of infatuation on the part of the writers.

This is partly understandable. On-screen Whalley is unquestionably beautiful. In the flesh there are problems. She appears at the stage door of the Royal Court Theatre wearing her hair up, sunglasses and the starchy lumpy black uniform of the 18 to 25s. The removal of the glasses reveals terrifyingly large brown eyes dominating an almost miniaturised face.

The effect is too extreme to be attractive as are the giggly clucking and swirling movements she makes in conversation. There is something unstable about the whole concoction, as if she is trying out various possible personalities.

But the one that dominates is the faintly world-weary, I-just-want-to-get-on-with-my-job role. "I suppose if you're working on something and you can generate some press interest, you should. But giving interviews is not my idea of a nice way to spend an afternoon. It's quite boring - all I can say

about why I am successful is that I have worked with good people in good plays and good films." She was brought up in Stockport, the daughter of a plumber. The family was Protestant but she was educated at a convent. She showed an inclination towards the stage and once a week went to drama classes. A show put on by her group in Marple resulted in her being taken up by an agent at the age of 12. Until she left school at 18 she took one or two parts a year for Granada Television and then, afterwards, starred as Ingrid in the television version of Stan Barstow's *A Kind of Loving*. It was reasonably successful and she was noticed. But the parts she was offered all fell into the helpless working class, Northern girl in trouble mould.

She resisted and moved to London - to Clapham Junction in fact, as if reliving the migration of the thousands of Northerners who moved down to the smoke in the Fifties. She went for an interview at the Royal Court.

"I'd no idea about the place. It was just a theatre to me. I was interviewed by Max Stafford Clark and I had no idea who he was. So I did this hard sell. I said: 'Look, give me this job. I really need it.'"

In spite of that she did get the job and found herself appearing nightly in a double bill during a Young Writers Season at the Court.

"I was terrified about the whole thing - of getting on stage and having to learn a whole play. I was just blindly ignorant. They said we had four weeks for rehearsal and I wondered what on earth we could do for four weeks. I'd been used to filming where you just do a bit at a time. Now I think four weeks isn't enough."

The Court was followed by a steady stream of theatre work, including

Wendy in *Peter Pan* at the Crucible in Sheffield. Her attitudes seemed to harden.

"As of last summer I gave up reading reviews. At the time I was reading a play that didn't need any reviews. I don't need people to tell me whether this is good or not because I know. Reviewers tend to put things in clever sentences and it can be soul-destroying."

An actress at the age of 24 who loathes both reviews and interviews might be said to be courting disaster. The theatre is heretic enough with believing you can ignore what people say about you. But never mind - *Edge of Darkness* came next. Whalley played the daughter of the hero in this immensely successful television thriller.

She was murdered in the first five minutes of the first episode to the dismay of her Stockport friends. But she returns throughout to haunt her father and gradually nudges his conscience in the correct political direction.

It was a serial whose qualities as a thriller and whose sheer oddity overwhelmed the irritating banality of its politics as well as the curious assumption that the mere mention of the nuclear issue makes any fiction political. And she was brilliantly cast. Her pleading features and insistent voice rendered entirely convincing the agonies of loss and frustration suffered by her father.

"Everything was really good about that. There was a great feeling when we were shooting. And it was marvellous when the public got so hooked on it. Almost through the whole thing we kept changing our minds about the ending. At one point both me and my dad were going to turn into trees."

Now she is to appear in another piece of fashionable politicising - Alan Bleasdale's film *No Surrender*, which opens on March 28. It is a tedious and

unfunny story all about "Thatcher's Britain", a mythical land rather like C.S. Lewis's Narnia, only not so realistic. Never mind: it will get rave reviews and much is redeemed by Whalley's performance as Cheryl, a dotty assistant chef who peeps uncomprehendingly as events unfold before her.

"I really didn't think I would get it. Cheryl could easily have been played by somebody much older than me. I was over the moon when I got the part. What I like about Cheryl is she's not very aware. Most people have some awareness about the way they look and what they are doing facially. But Cheryl doesn't get sidetracked by any of that. She's like a kid."

Joanne has also finished a film with Anthony Hopkins - *The Good Father* which should open soon - and she is working on a Dennis Potter play *The Singing Detective* for the BBC. Currently she is appearing in *Women Beware Women* at the Royal Court.

"It's good now. My success has given me a bit of freedom in choosing what I can do. But I don't have any clear idea of what to do next - just carry on playing good parts and working with good people, I suppose."

The ordeal seems to be over so we rise to leave the deafening, brittle acoustics and awful sausages of the Oval wine bar. But there is a piece of unfinished business which is clearly worrying her.

"You said earlier that I had very distinctive looks which I couldn't change."

"Well then you said I looked different as Cheryl. Ah-ha got you! We exit into the blinding sunlight of Sloane Square. I must be getting old."

©Times Newspapers Ltd

Orchestrating a cure for a man of musical genius

Klaus Tennstedt fled to the West to become the world's most wanted conductor. And then cancer was diagnosed...



Klaus Tennstedt: 'love affair' with the LPO

The tickle in Klaus Tennstedt's throat began while he was in Philadelphia to conduct Prokofiev's piano concerto last October.

His wife, Inge, concerned by the fact that the maestro's voice was becoming increasingly husky, tried to persuade him to see a doctor. In the end, she brought a well known physician who happened to be in the audience around to her husband's dressing room after a performance. The following day, in his consulting room, the doctor diagnosed cancer of the vocal chords.

To Tennstedt, music director of the London Philharmonic Orchestra and one of the world's greatest romantic conductors, it was a shattering blow. His first reaction was one of speechless disbelief followed by the immovable agonizing ache that comes with the knowledge that one has a potentially incurable disease. The fact that his doctor told him he had a 90 per cent chance of recovery did little to reassure Tennstedt and his wife. As Inge says: "There was still the other 10 per cent left to worry about."

Tennstedt, 59, dropped out of the rest of his American tour, cancelled dates with the Berlin Philharmonic and postponed a series of recording sessions. He retreated to his seventh floor apartment overlooking the Bay of Kiel in West Germany and underwent a gruelling course of radiation treatment. Last Friday after 70 such treatments, his doctor pronounced him cured. And this week, he is in London for his first performances since his illness: three concerts at the Royal Festival Hall conducting his beloved London Philharmonic and including his favourite work, Mahler's Sixth Symphony.

Still hoarse - from the radiation, not the cancer, he stresses - he talked for the first time about his illness and the long-term effect it has had on his life.

"There was never a moment when I was able to forget it," he says of the cancer. "It was there, in my mind, all the time." He was too worried even to listen to music. "My head was full of my sickness. Whatever I did the thought of it would not go away."

The situation was made even worse for him by the fact that he had to give up smoking after a lifetime's addiction. Before his illness he would smoke one cigarette every six minutes except when he was eating, conducting or asleep. Today he chews liquorice instead and admits that he misses the habit still.

He has been principal conductor and music director of the London Philharmonic for nearly four years, a relationship which has been likened, by both sides, to a love affair. Tennstedt, who has the remarkable ability to carry his musicians to previously unscalable heights, has returned the LPO to its musical peak. The personal torment of its members over his illness has not been all that far removed from his own.

"We have missed one another," says Tennstedt simply. And he adds: "Never in my life have I gone for so long with an orchestra."

Indeed, his meteoric rise to covered depths of strength he was not aware he possessed. "I was surprised at how brave he was," confesses Inge, a well-built blonde former opera singer who has been at his side for over 30 years. "In the

conductor, talented but unknown outside a small local following. Then an extraordinary chain of events culminating in an invitation to conduct the famous Boston Symphony Orchestra in Bruckner's Eighth swept him into the realms of magnificence. The *Boston Globe* headlined their review of the performance: "BRUCKNER - ONCE IN A LIFETIME". Literally overnight, Tennstedt became the most sought-after conductor in the world.

Within a week he had been invited to conduct almost every top orchestra across the globe. For a 48-year-old unknown it was heady, exhilarating stuff and Tennstedt accepted them all. Today he admits: "Sometimes it is difficult to believe what has happened in the last few years. It was so like..." he grapples with his student English to find the right word "...so like an explosion."

Grey-haired and bespectacled, he sips a glass of duty-free cognac in the Kensington flat where he is staying and

past he would make such a fuss over something like a head cold. With the cancer he was very brave. But he was not always optimistic..."

Says Tennstedt: "I didn't get down on my knees to pray to God but maybe I prayed inside."

He talks, as he conducts, using his whole body, at times ending up half out of his armchair, crouching on the floor. After a concert he is always exhausted, drenched in sweat, mentally and physically drained. His doctor was reluctant to allow him to return to the podium so soon, with his voice still weak, but for Tennstedt, the withdrawal symptoms from not working were even greater than those enforced by the loss of nicotine. "I must work," he insisted and his doctor accepted the force of the inevitable.

His fight against cancer was yet one more adversary which Tennstedt has vanquished during a lifetime of traumas. His soaring career as a violinist was crushed when, barely out of his teens, a growth between the knuckles of his left hand ended his dreams of virtuosity. His defection to the West after a concert in Gorbunov meant leaving behind his mother and Inge's son.

And last spring he was forced to rest for three months after collapsing at the end of a 20-day 18-concert coast-to-coast tour of America and subsequently suffering heart disturbances.

Significantly, he came to Mahler in his middle age. "When you have a lot of experience in your life - bad and good experiences - then you understand what Mahler means." His love for music is total. "To me success is to make music with one of the best orchestras in the world, to produce the highest quality that is possible." Only on rare occasions does he feel he has achieved *sternstunde*, the golden moment.

He says that his fight against cancer has changed him. "The experience has made me stronger. I now know that the little things I thought were important before are not important."

"I'm a little more serious and I now live for each day at a time because I shall never forget what happened."

He is confident that his music, however, is unchanged. "All my life I have given much intensity to my music. It is not possible to give more."

Sally Brompton

A la carte



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Courage and marriage

From Sheila Lady Bernard, *Marryall Road, Wimbledon, London*

Patricia Clough's "Love Begins at 60" (Friday Page, March 7) speaks of the courage to walk out of a marriage. But what of the much greater courage required to stay and face up to difficulties, honour one's marriage vows and adapt to changing circumstances such as children leaving home, retirement, illness of either partner and so on? Both love and courage are needed here.

I noticed that some of the "brave" people mentioned in the article walked out to live alone but merely for an easier life with someone else. Surely it has never been considered brave to run away.

From Mary C. Smith, *Fordington Road, Highgate, London*

I found Patricia Clough's article infinitely depressing. Personal happiness seems to be the only thing that matters, with no mention of marriage vows or that little word "fidelity". No wonder families are falling apart and society tottering on its foundations.

From Helen Smith, *Project Officer, Mental Health, King Edward's Hospital Fund, London*

Marjorie Wallace, in her article on schizophrenia (Spectrum, March 3) regards the hard left as being to blame for closing psychiatric hospitals, which are essential she claims, for the care of schizophrenics. Yet it was Enoch Powell who made the first ministerial statement regarding the closure of these hospitals in 1961, followed by a policy document on community care in 1963. The Conservative Government of 1970 confirmed and accentuated this trend in a circular entitled Hospital Services for the Mentally Ill; and it is this Government that has enacted

these policies - hardly a group "like the Beatles-Meinhof gang and neo-Marxist revolutionaries". In her comparison of countries, Ms Wallace cites two rather alarming but local and isolated examples of community care in West Germany. However, she then admits that the mental health policy and laws did not, in fact, change in that country. The US policy of simply bussing patients out of hospital was not "anti-psychiatry" but laziness. The chaos in Italy clearly illustrates that community care is not simply about closing psychiatric hospitals: it seems from her article that only Sweden has grasped this point. She persists in the error of confusing anti-psychiatry with deinstitutionalization. I am fully committed to proper "psychiatric" care for people deemed to have schizophrenia. I envisage this to mean the provision of sufficient support to maintain the individual in his normal environment, with the option of temporary refuge should the person wish it. As someone previously clinically involved and now concerned with the development of services for the mentally ill, I am extremely worried by the lack of both financial resources and creative financing, for providing a genuine and comprehensive alternative to institutions. I fear, along with my colleagues, that we have created the potential for a human disaster, unless the implications of hospital closure are fully worked through. If we claim to be a caring society we must ensure that all our members, regardless of disability, live as ordinary and normal a life as possible. The closing of psychiatric institu-

TALKBACK

tions is a start of this process for those deemed mentally ill, and should be fully supported by those of fortunate enough to be in a position to effect change.

From Dr S.P. Mangan, *London School of Economics and Political Science, Houghton Street, London*

May I correct an erroneous quotation attributed to me in the article on schizophrenia? The policy of sectorization of psychiatric services in France is, indeed, failing to meet the needs for follow-up care of many former inpatients who are of no fixed abode. Consequently, there is an increased risk of relapse and re-admission which, because of the vagrant lifestyles of many of these patients, can often be to hospitals in different areas of the country. However, to interpret this as "whole armies" "begging to be sanctioned" is a gross exaggeration of both my comments to the author and the situation in France.

From Dr and Mrs K. Addison, *Hurst Close, Broseley, Shropshire*

We were much moved by Dr Tim Williams's account of the sudden death of his baby daughter. (First Person, March 5). It brought to mind afresh the anguish we felt at the loss of our baby daughter in December 1983.

We would like to say to the Williams family and any others who find themselves in such agony - talk about your loss together, weep together, and comfort each other over the many months when utter misery will suddenly overwhelm you. Contrary to popular belief, you will not "get over it", you will simply learn to live with it. Another baby is not a substitute for the one you have lost but another person in his or her own right, and one who will be even more precious because of your earlier loss.

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THE TIMES DIARY

Vanessa's encore

Despite the bruising reception she got five years ago, Vanessa Redgrave is again urging Equity to boycott what she calls "occupied Palestine" and the rest of Israel.

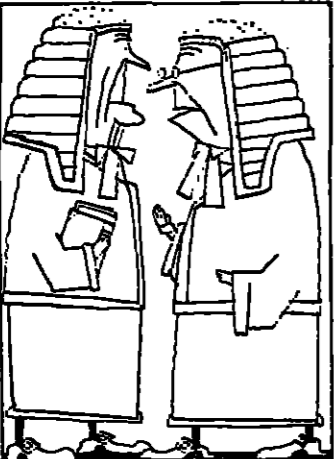
Pink carpet

Times journalist Richard Dowden arrived in Belgrade at the weekend to VIP treatment: officials rushed forward and escorted him to a waiting black limo.

Rovers return

You've heard of David Livingstone spreading the word on the Dark Continent. Now for the reverse: two missionaries, Gertrude Kamupuna from Malawi and Alice Derby from Mauritius, have arrived in Scotland to bring the faith to the Scottish heathens.

BARRY FANTONI



"Being a judge was my second choice. Originally I wanted to be MP for Littleborough and Saddleworth"

Dazed

Diary compilers may be having trouble agreeing on the start of British Summer Time, but a calendar from Belfast's Irish language daily newspaper *Lia* has March beginning on a Monday instead of a Saturday and cropped to only 30 days.

Stress foiled

The Marriage Research Centre at the Central Middlesex Hospital has issued an urgent notice cancelling its conference next week on "Troubled Workers: The Impact of Domestic Stress".

Displaced

Islington Council leader Margaret Hodge may be allowed a private nursery, but her Labour colleague Peter Powell has discovered the cost of letting his daughter Imogen take an assisted place at St Paul's School.

Belittling

The newsletter of the Diocese of St Edmundsbury and Ipswich contains a farewell message from the bishop, the Right Rev John Waine, who has been appointed to Chelmsford.

PR: the lesson from France

by Edward Mortimer

France is the only European country, other than Britain, in which proportional representation has not become a deeply-rooted political tradition.

PR was used in France under the Fourth Republic. In 1958 de Gaulle restored the system of two ballots and single-member constituencies which had been used before the war.

In the 1960s and '70s the system produced a four-party pattern in French politics, with both right and left tending to use the first ballot as a primary to establish which of their component parties had most support in a given constituency.

No one in France advocates changing to the British system, with single-member constituencies and only one ballot. This is felt to give too overwhelming an advantage to the winning party.

Yet the Socialists so obviously benefited from the majority system in 1981 that many people thought President Mitterrand would quietly drop his campaign

pledge to introduce PR. When he did not do so it was widely interpreted as an admission in advance of this week's Socialist defeat.

PR also enabled Jean-Marie Le Pen's National Front to take some seats from the orthodox right, so almost denying the new conservative government an overall majority.

The alliance with the Communists, which was crucial to Mitterrand's strategy for gaining power, had become on balance a liability, if not an impossibility, by last year, given the general right-

ward shift of public opinion and in the Socialist party itself.

By using the *departements* as constituencies - most of which have populations only large enough to warrant three or four MPs - Mitterrand further squeezed the Communists while preventing the National Front breakthrough from reaching too dramatic proportions.

A similar result might well have been achieved by using the Irish single transferable vote system (STV), which the SDP-Liberal Alliance wishes to see used in this country.

The main differences are that in France party candidates are listed

in an unchangeable order, whereas under STV the electorate can make its preference felt between candidates of the same party; and that whereas in France the voter in each constituency had to guess whether he would be wasting his vote by casting it for, say, the Communists or the National Front or the Ecologists, under STV he could have done so secure in the knowledge that the vote could still be useful to his second choice if the first did not attract enough votes to win a seat.

One may suppose, therefore, that STV would have given a few more seats to the smaller parties, although the larger parties might also have been able to broaden their appeal by offering a wider range of candidates and leaving it to the voters to choose between them.

These differences are not so great as to make the French experience irrelevant to the debate in Britain. The new French parliament is about as representative, and about as difficult to manage, as one could reasonably expect a British parliament elected under STV to be.

The irony is that one of the items in his programme, for which he will be trying to whip his majority into line, is to abolish PR and go back to the majority system.



Jean-Marie Le Pen, with 35 seats his National Front is the main beneficiary of PR - but it almost deprived the orthodox right of an overall majority

John Dale gives a marketing man's view of the BBC ads debate

A cake that would feed us all

Anyone engaged in broadcasting or advertising could see from the outset that the Peacock inquiry on financing the BBC would lead to a difficult and complex debate both inside and outside the professor's committee. It has.

The interested parties often seem to be diametrically opposed. But some assumptions, such as the one taking it as gospel that all advertising is necessarily inimical to good broadcasting, are plainly wrong. There are many indications that, for the public, the presence or otherwise of advertising on either or both of our public service television channels is not in itself a burning issue.

From broadcasting interests the reaction has been loud and clear. Advertisers are not, in their view, prepared to support a quality schedule. The advertising "cake", that is, the amount of money available to support broadcasting through advertising, is not, they believe, enough to support two TV channels.

Ironically, the broadcasters are about to become involved in the sort of fierce international competition that is already familiar to so many of us in business. Satellite technology will ensure competition; and this competition will have to be faced. It is not good enough to argue that competition would destroy the existing standards of broadcasting and that the status quo must be preserved.

In this context competition is not just about ratings. It is also about financing and value for money. What has emerged from the present inquiry is not only the



public disquiet about the nature and incidence of the licence fee but also the concern among advertisers about the rampant inflation in television advertising rates.

Some of the objections to greater competition have come from economists, who might have been expected to reject monopoly conditions and restrictive practices but who have instead produced a spate of pessimistic models of future advertising revenues. In this they have been profoundly unrealistic.

It is argued that competition can only lower programme quality; in fact the reverse is true. It is a misreading of the needs both of the viewer and of the advertiser to suggest that advertisers are interested only in "popular" programmes of questionable quality. It is highly unlikely that British audiences, accustomed to a wide range and high quality, will respond to a schedule of inferior

programming; and if they do not respond favourably to the schedule, neither will the advertiser.

Certainly, large numbers do watch popular shows. On a good night, more than 16 million viewers watch ITV's *Coronation Street* and BBC's *EastEnders*. But advertisers want to present their products to a far wider population than habitual devotees of soap operas. Some will want that large audience, some will want the more discriminating audiences which come with more sophisticated programmes.

The strength and attraction of British television lie in its diversity. The advertiser's needs correspond closely to the broadcasters' ideal of a varied, entertaining, informative and educational schedule.

Nobody is advocating immediate reliance on advertising as the sole source of funds for both broadcasting services. Complementary funding of ITV and BBC through advertising and some other source is therefore certainly an option, and probably a very sound one.

Most of the commentators advancing the case for advertising on the BBC have proposed at least a transitional continuation of the licence, although a subscription to both BBC and ITV may in the event be a more equitable and appropriate solution.

Far more crucial than the mechanics, however, is the opportunity facing the Peacock committee to lay out the ground rules for the future of broadcasting in this country. What is called for is a recognition that competition is a more healthy route than protection; that the advertising industry will continue to respond favourably to quality schedules; and that the interests of the viewers are best served by adapting positively to change, not by attempting to thwart it.

In fact the introduction of advertising on the BBC would benefit consumers, viewers, broadcasters and industry alike. The author is marketing director of Pedigree Petfoods, a Mars Group company.

Now Marx goes the same way as Mao

While the authorities in Peking are insisting that China is not abandoning Marxism-Leninism but only giving it Chinese characteristics, the verdict of the Chinese, especially young Chinese, is different. They are abandoning party dogma in droves.

"Students in higher education," says the official Communist Party paper, *People's Daily*, "feel cold towards Marxism-Leninism. Some even dislike it intensely."

All students have to study politics from middle school right through to research institutes. According to the paper, teachers still spout "the left-wing poison especially influential during the Cultural Revolution". A picture emerges of Maoist teachers on ideological auto-pilot, droning away to glassy-eyed pupils who take notes which they forget as they write.

People's Daily assures its readers that it is not Marxism-Leninism itself that is boring; rather, the curriculum needs to be linked more closely to real life. China's official English-language paper, *Peking Review*, speaking on similar lines, insists that "Marxism endures as a beacon", but concedes that 19th-century Marxism "does have a few conclusions which are no longer valid". These relate to capitalism

for the first 30 years of Communist rule, coupled with assurances that real Communism is at last in the offing. But the discrepancies between dogma and actual party practice have made real Communism hard to define, and sometimes even contradictory or absurd.

In the last months of 1985, university students throughout China demonstrated against policies which they claimed eroded the national dignity. The party tried to put them right by sending leading ideologues to campuses to claim that only capitalism produces inequality. But the students still complain of party corruption and of foreign domination of the economy.

As for the notion that the means of production - rice fields, orchards, ponds - are owned by "the people" and that inequality as such cannot exist under socialism, the students know otherwise. They know that most peasants believe they own what they cultivate. Press reports have revealed the buying and selling of land, often with party co-operation and sometimes by party officials.

Despite these contradictions, the party insists that it now operates in the real world, not through a prism of ideological fantasy. But how should it adjust

the Marxist-Leninist "guideline" of co-operative ownership to the realities of Deng's economic pragmatism? Recent reports show that output from the private sector rose by 88.4 per cent last year, and that 34.8 per cent more peasants entered the private economy. In Hubei province, for instance, 63.4 per cent of peasants' incomes now comes from their "subsidiary", or private, labour.

The ideological crisis in China's education system arises neither from boredom nor from any failure to refocus the Marxist-Leninist beacon correctly. Half of China's officials, *People's Daily* said recently, had received no training in basic Marxism. But that is not the problem.

The reality is increasing individual prosperity in many rural areas with little growth in others; and high-level insistence on party austerity and probity, though ministers caught embezzling \$46 million receive no greater punishment than "party discipline".

Given such examples of theory and practice, young Chinese do not find Marxism-Leninism boring or even detestable. For them it is irrelevant.

Jonathan Mirsky

David Walker How the law can help the unions

The British labour movement's favourite cliché comes from Winston Churchill, when he was President of the Board of Trade before the First World War. The law, he said, was inimical to good industrial relations. Trade unionists and the courts should be kept far apart.

It is still the fond wish of the union establishment, "Most workers," said the law professor Lord Wedderburn, typically without benefit of surveys of union members' views, "want nothing more of the law than that it should leave them alone."

Labour relations have been regulated, one way or another, throughout the modern age. Bargaining was made a matter for magistrates by the Elizabethan statute of artificers. Twentieth-century law books abound with cases and statutes on everything from health and safety at work to unions' disciplinary codes.

But what did not happen in Britain was a once-for-all acceptance of the socio-legal status of trade unions. In Australia, with a similar legal tradition, this was accomplished when an intricate system of conciliation was founded a generation ago.

In a real sense British labour law has remained pre-industrial. Instead of institutionalizing the fact of union organization in modern economic relations (as the French and Germans have done) Parliament and the courts have danced a quadrille round the issue of union recognition. The unions remain the legal equivalent of an astronomical black hole.

The jurisprudential fiction is that Britain is a full-blooded capitalist economy where workers make individual contracts of employment as if old Adam Smith and his pin manufacturer were still alive. The law is built on immunity - exemption from the consequences of the operation of law in such an economy. The intellectual case for translating the facts of industrial life in the later 20th century into labour law has been strong for a long time. What is apparent today is that some unions, and some of the unions' political friends - notably John Prescott, Labour spokesman on employment - at last think the time is ripe, too.

Rupert Murdoch has helped the thought process. The use by a major employer of terms in the 1975 and 1978 Employment Protection Acts which the unions, typically, had hoped would go away if they ignored them has

stimulated fresh thought. Certain union chiefs, not just Eric Hammond of the Electricians, have recently glimpsed opportunity as well as pain in the labour law enacted under Mrs Thatcher.

The talk, especially among labour's academic friends (though Oxford and Cambridge are split on this) is of "positive rights". The law, in other words, should be welcomed as the underpinning of unions' corporate identity.

Instead of private documents, rule books would become public; actions carried out according to their letter (such as strikes) would become unchallengeable by judges wedded to common law. By 18th century notions of pay bargaining. The law, meanwhile, would have to specify in far greater detail than the authors of even the 1982 Employment Act ever contemplated the procedures and conduct of industrial action.

Since the 1870s the unions have operated within a carapace of immunity from prosecution. When the judges cracked the shell, they managed with the Labour Party's help to apply sticking plaster. When first Harold Wilson, then Edward Heath offered the elements of a positive approach based on comprehensive legislation, even with Heath's National Industrial Relations Court a new legal system, the TUC could only offer blunt resistance.

Now all the politicians are tougher-minded. John Prescott's proposal of a union right to strike (ie a removal of employers' right to dismiss) carries caveats about how a strike should be called and in what circumstances. Labour will insist on ballots. Labour will forbid political strikes. And so on.

John Lloyd, the labour pundit, has coined the phrase Hammondism to designate the philosophical element in the Electricians' commitment to updating union rules and procedures in line with the British version of capitalist society. Hammondism means an end to idealistic union longings for a socialist alternative. But Hammondism is often only the public utterance of other union leaders' private thoughts. Take the EPTU's submission to the TUC conference. It asks for law-stationary recognition for unions, defined picketing, tighter definitions of a trade dispute, or dismissals on union democracy.

This is what others would ask for. But the EPTU, more honest, adds riders. The right to strike means legally agreed procedures. The legal establishment of the unions' identity; sooner or later, legally-binding contracts. Reluctance to go down that road is one reason why today's TUC deliberations will be so inconclusive. Instead of embracing the law (and the rich potential of European determinations that could well go in British unions' favour) the general secretaries seem only to want the political pendulum to swing their way. Repeat here: amendment there; they would leave unions' legal identity as incoherent as ever.

moreover... Miles Kington

Taste drive the new borsch

There are two kinds of teapot. There is the teapot that pours cleanly, and the kind that dribbles tea down the spout on to the table.

There are two kinds of match. There is the match that ignites happily and burns with a sincere flame. There is also the kind of match that either goes out immediately or breaks off and tries to set fire to your hand.

There are two kinds of newspaper. There is the newspaper that folds back easily into a glimpse of the arts page, and there is the newspaper that folds into a model of the foothills of the Himalayas.

There are two kinds of grape. There is the grape which yields to your teeth with a succulent fruity texture. There is also the grape which burns out to have a skin like a Gurkha warrior and two dozen very small pips, each of which lodges itself in the tooth you had so much trouble with last time at the dentist's.

There are two kinds of trousers. There is the pair of trousers you sit down in. And there is the pair of trousers which you sit down and which then disgorge a cascade of coins into your chair because the pockets are misaligned.

There are two kinds of envelope. There is the envelope which you lick and fasten down. There is also the envelope which you lick and which then immediately springs open.

There are two kinds of shoelace. There is the kind which stays tied and there is the kind which comes undone five minutes later and trips you up.

But I am sure you get the idea by now. The idea is that everything in the shops looks as if it works, yet only half of those things actually do work. The only way you will ever find out if they work is by trying them before you buy them. It's quite simple, really. You see something in a shop which looks the sort of thing you want, and you try it out before you buy it.

The only snag to the idea is that we never do, do we? When was the last time you thought of buying a teapot and said to the assistant: "Fill it up with water and I'll see how it pours?" When did you last tease yourself with the idea of a pair of trousers and said: "Fill the pockets with small coins and

let me sit in a simple chair, to see if the change goes down the sides?" When did you last test-drive a match?

The other day I was in Sainsbury's in Bath, and I found myself beside a man at the grape counter. There were some dark grapes from South Africa, ruby grapes from Brazil and silvery-green grapes from Chile. They all looked equally good. Normally, I would make a wild guess and take one kind. But this man was made of sterner stuff. He took a dark grape from South Africa and ate it.

"Hm," he said. "Nice flesh, but leathery skin." We went into a tasting organ and tried everything. The ruby grapes from Brazil won hands down. But without that man as an example I would never have thought of doing such a thing.

Meeting the man in Sainsbury's has changed my life. I now test matches before I buy them, and lick a sample envelope before I embark on a full pack. It has, I have to admit, made me very unpopular. No newsagent likes it when you spend two or three minutes folding and unfolding the *Guardian*, and then say: "Give me the honest-to-goodness *Herald Tribune*." In my neighbourhood there is a trail of half-licked stamps, and burnt-out matches, and crumpled envelopes, showing where I have been. But even if the tradesmen hate me, at least they respect me.

I remind myself more and more of Josh Billings. Billings, according to Eddie Condon, the legendary jazz guitarist, was a ping and kicking mite. Only a suitcase, said Billings, could get Billings used to go into the latest range, and ask to see he used to kick and slip them in front of the harassed salesman until he found the suitcase which had the right sound and pitch, or alternatively reject them all because none had the right timbre. Kick, kick, kick, slap, slap. Sorry, this is not quite the suitcase I had in mind...

Next time you go into a shop, think of Josh Billings and do not be afraid.



1 Pennington Street, London E1 9XN Telephone: 01-481 4100

A PEOPLE'S BUDGET

Mr Nigel Lawson has used his Budget opportunity well. Earlier this year, while the harsh glare of Westland politics was afflicting his Cabinet colleagues, the Chancellor was left free to cope with the destruction of his plans by falling oil prices in relative obscurity. The result is nicely judged.

With only a billion pounds left to play with, once the oil markets had wiped £5½ billion from his revenues, Mr Lawson has nevertheless produced a Budget to alter the business climate and the political agenda. He has managed to turn "popular capitalism" from slogan to tax reality; to abolish another major tax; to create vital new channels for charitable giving; and to slice a percentage point off the basic rate of income tax, as an earnest of the Thatcher Government's revived intention to cut this to 25 per cent.

He has made these bold and welcome steps within the context of a Budget that is politically skillful in its mix of small measures. While the City can rejoice over a halving of stamp duty on share transactions, a pint of beer in the pub will cost no more than it did before the Budget, even though strict tax logic should have decreed an automatic increase in duty. The benefit of a lower rate of basic income tax has been extended to the small businessman; it has also been limited, for the higher salary-earner, by adjustments in tax thresholds that have helped keep down the cost of the change.

Mr Lawson has found some good causes to bind the Budget with general approval, providing a tax holiday for pensioners on this summer's increase in benefits, and freeing from tax altogether the pensions of victims of Nazi persecution. He has scooped up some useful extra revenue from tax abuses. Yet he has resisted the temptation to recoup from the motorist the benefit of lower oil prices, interfering only to shift the burden of tax slightly from car ownership to the petrol pump.

But Budgets must be something more than a balancing act stripped of political distractions, they must reveal a sense of direction. Mr Lawson took pains to tell us his direction was unchanged: it led towards sound money and free markets. Much has, however, changed with this Budget, and for the better.

The financial context has changed only in one important respect. Mr Lawson has accepted the impossibility of bringing growth in Sterling M3, once the centrepiece of his financial strategy, down to single figures. A new target roughly twice the original size appears in this Budget, after which it will presumably fade out of the political picture altogether. This retreat is balanced by the bravura of a further advance in the Chancellor's attempts to reduce public borrowing, for which - despite falling oil revenues - he has actually made a trivial reduction in his target, bringing it down to £7 billion.

This is the kind of gesture that may not earn Mr Lawson much applause in the City, always ready to pull his figures for public finance apart. It does, however, demonstrate the continuity of policy Mr Lawson was determined to preserve. This is shown also in Mr Lawson's figuring of the economic consequences of his policies. His forecast of 3 per cent growth this year is unchanged; his forecast for inflation - down to 3½ per cent by next winter - is lower than he had previously expected, but perfectly credible. The balance between growth and inflation look better than they have for many years. The two tests for the Budget are how this improvement can be maintained, and how it can be channelled through into higher employment - where the Government's greatest weakness is still apparent.

The fundamental answer in Mr Lawson's third Budget is that the spark of enterprise must be nourished in British business and British investors.

For all its inevitable parsimony, this Budget picks up from the radical intentions of his first - intentions that were bruised and blunted in his second. He and his Prime Minister have had sufficient courage of their convictions to wipe out the tax on lifetime gifts, which inhibits the passing-on of new-made business from one generation to another.

They have given a vote of confidence to the business expansion scheme, the invention of Mr Lawson's predecessor for channelling seed capital into new businesses. They are demonstrating sufficient faith in the ideal of wider share ownership to provide substantial new tax incentives to personal investment in equities. And they will roll the ball of personal enterprise further with consultations on the extension of profit-sharing schemes, through which an employee's pay packet and his company's financial performance can be more intimately connected, creating more of an identity of interest between wage and profit-earners.

This Budget, ambitious as it is, leaves plenty of unfinished business. The consultations on profit-sharing should be widened to include the existing variety of share schemes for employees. There is still something half-hearted about the Government's approach to job creation through specific government schemes, and it was evident in the Chancellor's limp presentation of an amended list of expanded job programmes. The Chancellor has been worse than half-hearted in his reform of national insurance, which last year was represented as the key to more jobs for the low-paid. This reform is still to be completed.

Yesterday Mr Lawson presented a package of measures that deserves its reputation as a Budget for enterprise. This is, in a vital sense, the Government's policy for jobs as well.

WIVES AND HUSBANDS

Unlike the Budget itself, the Chancellor's accompanying plans for reforming family tax have been surrounded by an army of objectors even before yesterday's launch. That was, to some extent, Mr Lawson's own fault. His scheme for "transferable" allowances should have been published before the Treasury disappeared into pre-Budget purdah. Opposition has fed on its silence.

Mr Lawson's second mistake, repeated in his Budget speech, has been to present his plans as a step on the way towards independent taxation of husband and wife. Quite the contrary. Mr Lawson's idea of a basic tax allowance which either a husband or wife can transfer to the other would reform and extend the principle of joint taxation.

This is not, however, a defect it would take the British tax system closer towards its European counterparts. Nor does it amount to an attack on working wives. The tax allowance which would disappear under Mr Lawson's scheme is that now inequitably given only to married men, not married women. At present, if both spouses go out to work, the husband receives a larger tax-free income than his wife. In Mr Lawson's plan, husband and

wife would each receive the same tax allowance.

In the process, of course, a working couple loses part of its combined tax allowances - which is why this - or any - Chancellor will find reform easier if it can be sweetened by a general increase in allowances. The more he can cut the basic rate of tax before the next election, the cheaper and more practical his scheme becomes. The real question, however, concerns its treatment of couples with only one earner. Were husband and wife simply to receive a single allowance each, such couples would be worse off than they are at present. Many of these are poor, with heavy family responsibilities. This is why Mr Lawson proposes that each married person's tax allowance should be "transferable" to the other. The couple with only one income could nevertheless set two basic tax allowances against it.

This would remove the present overt sex bias in the British tax system. Two fundamental objections have been raised: first, that transferable allowances might deter women from working. This is because their husbands' take-home pay would fall as they reclaimed their allowances to set against their own earnings.

Many women's groups therefore would prefer complete separation of a husband and wife's tax affairs. Yet few favour separate taxation of investment income as well as earnings, a failure of nerve which emphasises the difficulties in this approach. Few people would favour the separation of married couple's finances for social security purposes. As social security and tax become more closely integrated, it becomes increasingly difficult to apply different principles to the two systems.

The second objection is raised by those who believe that home responsibilities should be recompensed directly through the social security system; specifically, by higher child benefits. But it is not only parental responsibilities that limit the freedom to go out and earn. The care of the elderly looms steadily larger in family affairs. Social security cannot cope with all possible eventualities without administrative difficulty and heavy expenditure. The overwhelmingly simple argument for transferable allowances is that it leaves married couples free to choose how to arrange their affairs. It leaves the tax system sublimely indifferent as to whether husband, wife or both bring in the family income.

THE SHAMROCK'S SHAME

When Mr Tip O'Neill strolls along Constitution Avenue with a shillelagh in his hand and shamrock in his lapel Irish-American pride runs high. Visits to the Republic of Ireland by the President, the inclusion of Dublin on the global itinerary of Senator Edward Kennedy: this is welcome affirmation of American roots in Europe.

It is entirely legitimate for House and Senate to debate the relations of two allied nations just as it is entirely in the domestic self-interest of the United States to control the flow of arms and money for arms to the Provisional IRA. Even the inclusion of Ulster and the Republic of Ireland in a minor package of foreign aid, dressed up to look like Administration endorsement of the Hillsborough agreement, constitutes no un-

reasonable incursion by American politicians.

But when they attach strings to the aid that implicitly (explicitly, to listen to debate in the House of Representatives) call into question the legitimacy of the forces of order in Ulster, the tenor changes. And when, on Monday, a federal court - again - opined that an IRA murderer deserves protection from justice because his act of homicide was "political" then the ambiguity underlying American attitudes to Ireland and the United Kingdom was exposed. The structure of American policy towards terrorism, towards the murderers of the *Achille Lauro*, towards the butchers of Rome and Vienna airports, teeters towards incoherence.

Joseph Doherty is a murderer, tried and convicted by

due process in courts based on the legal philosophy which sired that of the United States of America. That they were Diplock courts neither adds nor subtracts. Doherty is a member of a terrorist organization dedicated to violence as a means and as an end. His visage is the same as that of the Palestinian who murders American travellers. It is as dangerous to civilized life whether practised in the streets of Belfast or in Beirut.

Sooner or later, and for the sake of justice in Ulster it should be sooner, the ball lands back with Mr O'Neill. Current American law makes the United States a haven for Irish gunmen. The love of Congressmen for Ireland will be shown in the expedition with which they move to change it.

LETTERS TO THE EDITOR

Fears on protection of children

From Mr Louis Blom Cooper, QC, and others
Sir, We, the members of the panel of inquiry which reported on the circumstances surrounding the death of Jasmine Beckford, write to express our concern about the provisions of the Children and Young Persons (Amendment) Bill. The Bill is a private members' measure introduced by Mr Dennis Walters, MP, and is due to start its committee stage on March 19.

Its main provision is a requirement that no child in local authority care under statutory powers should be returned home except on the authority of a juvenile court. It seems to us that the measure can only have been intended to deal with the public concern about Jasmine Beckford and some other recent cases of children who have died at the hands of their parents after having been returned home on trial.

It is entirely understandable that some people think that there should be some judicial supervision over the vital decision of social services departments in relation to children in care. However, we conclude that the desire to transfer responsibility about the rehabilitation of the families of abused children to magistrates represents a panic measure which is impracticable and undesirable.

In our view, the experience of Jasmine Beckford's death - and some others - is that magistrates in juvenile courts lack the necessary professionalism to be able to make the difficult judgements which have to balance the risk of future abuse against the need to reunite families. The cases suggest

that such courts are more likely to send children home than social workers.

Maria Colwell's death in 1973 was a tragic example. But there are others. The rider added by the *Willesden* justices in the Beckford case would indicate strongly that these justices would have been as keen for the rehabilitation of Jasmine with her family as were the social worker and her senior.

Our views might be different if such cases were dealt with in a properly constituted family court comprising expert lawyers and laymen, trained and experienced in child care and the factors leading to child abuse, backed up by a specialist court welfare service.

Finally, one of the problems that has bedevilled child care law is the piecemeal nature of the legislation, built up from a series of small measures, often in reaction to specific cases.

For this reason, the Department of Health and Social Security is now engaged in a massive consultation exercise to review the whole of child care law, leading to a package of coherent proposals. Mr Walters' Bill unfortunately represents yet another piecemeal measure when the issues we have identified in our report need to be considered within the overall framework of a total review.

Yours faithfully,
LOUIS BLOM-COOPER,
JOHN BEAL,
BEN BROWN,
MARY MASON,
PAT MARSHALL,
Goldsmith Building,
Temple, EC4,
March 14.

Coach site choice

From Mr Geoffrey Edwards
Sir, In considering the recommendations of the consultants appointed by London Regional Transport to study which site would be best for a central London coach terminal, the Government would do well to recall the fate of the Roskill Commission's recommendations on the siting of a third London Airport.

The commission had been asked to study four sites that did not include Stansted; their recommendations were ignored, and now Stansted is being developed to handle extra air traffic. The omission of Marylebone from the options to be further studied is as absurd as the omission of Stansted from the Roskill options.

It seems wildly improbable that, after the further studies have been completed, the Government will opt for any of the schemes that require massive expenditure of

public money (between £40 million and £53 million) when an equally satisfactory coach terminal could be built by private enterprise without any such expenditure. Our company plans to do exactly that at Marylebone once it has ceased to be a rail terminal.

Our plans include (also without any call on public funds) the conversion of the present rail route to a busway. This would give coaches a segregated route into the terminal from either A40/M40 or the North Circular Road and remove the present heavy coach traffic from Finchley Road and Edgware Road, (confering great environmental benefits on north London).

Yours faithfully,
GEOFFREY EDWARDS,
Chairman,
Great Central Development Company Limited,
32 Queen Anne Street, SW1,
March 11.

'Banned' in the Cape

From Professor Peter Vale and Professor W. J. Davies
Sir, On Tuesday, March 11, the South African security police banned two leading members of the United Democratic Front in the Eastern Cape, Mr Mkhuzeli Jack and Mr Henry Fazzie (report, March 12). By this act, the security servants of Mr P.W. Botha's Government have signalled their unwillingness to negotiate with the recognised leaders of the black community.

We believe that this development may plunge the Eastern Cape into the internecine conflict which marked 1985. We call upon all those in Britain who care for peaceful conciliation in South Africa to immediately write or telegraph their member of Parliament so that this matter can be raised in the House of Commons. South Africa at this critical juncture cannot afford to lose the contribution of these two important leaders.

Yours sincerely,
PETER VALE,
W. J. DAVIES,
Institute of Social and Economic Research,
Rhodes University,
Grahamstown,
Eastern Cape,
South Africa,
March 12.

Finding a fake

From Mr H. Rainford
Sir, Your various correspondents (March 4, 11, 12) regarding the value of paintings should remember that their value is purely subjective, and dependent on the whim of the "art experts". The market is completely fictitious and, as recent disclosures have made clear, can be manipulated by various bodies to give an impression of ever rising prices.

Art, as an investment, is a very new concept; only a short time ago paintings were looked upon as wall decorations, probably cheaper than the tapestries which

MPs' obligations

From Mr Peter Rost, MP for Erewash (Conservative)
Sir, The electorate and media seem to want it both ways. Occasionally one of us is audacious enough to remind the public that many parliamentarians make unreasonable personal and family sacrifices, are overworked with inadequate facilities, for a salary well below what they could command elsewhere.

Such maverick voices are howled down, reminded that we volunteered knowing the conditions, and told to make way if we don't like the job as there is no shortage of candidates waiting to take over.

Yet when Mr Matthew Parris decides to do just that, after seven conscientious years, and sell his services elsewhere at their market value, he is criticized as a defector (March 12).

Many members, and particularly ministers, are worth several times the salary they willingly accept in the service of their constituents, or in government. Have we not had a timely reminder that the nation cannot afford to lose too many of those in Parliament whose ability can command so much more, for less personal sacrifice?
Yours sincerely,
PETER ROST,
House of Commons,
March 13.

Crab fishing in the Falklands

From Mr D. A. P. Cox
Sir, I should like to take issue with part of your editorial entitled "Falklands factors" (March 10) where you stated that a feasibility study of inshore crab fishing had promising results, but that no one has yet worked out how and where to market the product.

My company is carrying out the inshore fisheries study in conjunction with J. Van Smirren Ltd, the shellfish company, of Boston, Lincolnshire. We have indeed had promising catch rates of crab and have given a great deal of thought to how and where to market the product.

A small processing plant is now under construction in Port Stanley which will enable us to send sizeable quantities of semi-processed crab back to the UK for further processing and marketing.

A buoyant market for crab products exists in Europe and North America and a regular container service operates between Port Stanley and the UK. The cost of shipping containers 8,000 miles is well within the margins available for seafood of this type.
Yours faithfully,
D. A. P. COX,
Director/Secretary,
Fortrose Limited,
Louden House,
Fish Dock, Grimsby,
South Humberside,
March 13.

Keeping out the cold

From Mr Eric Jeffs
Sir, The fact that during the recent cold weather several old people died of hypothermia in local authority housing suggests that they were the victims of bad energy planning decisions in past times of relative abundance.

Helping old people to survive the cold is one thing. Making sure that the next generation will not suffer the same fate if the winter of 2015-16 is equally as cold is another matter. Like famine in Africa, immediate help will not solve the long-term problem if it does not help to create an affordable energy supply for those who most need it.

The 1983 Energy Act emphasised freedom to generate electricity. In practice it has led to the deployment of an increasing number of small-scale combined heat and power plants (micro-CHP). Such plants, based on small reciprocating gas engines, even modified car engines with heat recovery, are installed because they can produce heat and electricity cheaper than the owner can obtain from the public utilities.

Since the marginal cost of electricity production in a micro-CHP system is typically around 1/2 p/kWh and the area board buy-back rate is over 2 p/kWh at this time of year, and considerably higher in winter, a plant associated with sheltered accommodation for old people would be able to subsidise heat costs from the sale of electricity. Several local authorities have invested in such schemes for swimming pools and leisure centres, and there are at least three schemes serving old people's dwellings.

Gas supply is assured well into the next century. The Energy Act has given us a means to use it efficiently for the benefit of those who most need a cheap and secure supply of heat.

Yours sincerely,
ERIC JEFFS,
European Editor,
Cogeneration,
Teal,
Moat Lane,
Prestwood,
Great Missenden,
Buckinghamshire,
March 4.

Age concern

From Mr Brian Crozier
Sir, Whatever has happened to old people in this country's media including *The Times*? They all seem to be "elderly" these days. My dictionary tells me that "elderly" means "somewhat old; bordering on old age". Calling old people elderly adds a couple of syllables to the adjective but doesn't make them any younger.

Next thing, I suppose, we'll be drawing the "elderly age pension" (EAP).

Yours very truly,
BRIAN CROZIER,
Kulm House,
Dollis Avenue,
Finchley, N3,
March 13.

Satanic drills

From Mr David Green
Sir, I somehow doubt if anyone ever fought or died just for the beauty of England. But in any event if John Bratby (March 12) dislikes the consequences of living in an environment rich in economic opportunity, why does he not merely reverse Mr Tebbit's bicycle?

Here, for example, with anything between a quarter and a half of the adult population despairing even of finding work, he can have magnificent coastal and inland scenery which is at minimal risk. And so far as one knows he does not have to work in Hastings.

Yours faithfully,
DAVID GREEN,
Rhyd yr Harding,
Castle Morris,
Near Haverfordwest,
Dyfed,
March 12.

ON THIS DAY

MARCH 19 1890

Prince Otto von Bismarck (1815-1898) was appointed Imperial Chancellor of Germany two months after the proclamation of William I as the first German emperor in January, 1871, and until the death of the latter, dictated the policy of the country in both home and foreign affairs. Of him Gladstone said "He made Germany great and Germans small". He dominated Europe by his cunning and skilful manner in which he maintained the balance between the great powers. With the accession of William II in 1888 his influence waned and he soon found himself at odds with the young ruler. Resignation was inevitable and Funch was appropriately summed up with Tennyson's cartoon "Dropping the pilot".

LATEST INTELLIGENCE.

(From Our Correspondents.)
RESIGNATION OF PRINCE BISMARCK.
BERLIN, MARCH 18.
The Labour Conference, now sitting here, has been completely thrust from its place in public interest by the greatest event which has happened in Germany since Prince Bismarck came into power - namely, his present resolution to resign his wholly and irrevocably. Of the existence of this resolution on the part of the Chancellor, which I was able to indicate as certain last night, there is no possible room for doubting, and all that now remains for us to know, as it would appear, is the when and how of the Emperor's acceptance of the Prince's resignation. That he has asked the Emperor to be relieved of all his three offices - viz., President of the Prussian Ministry, Foreign Minister, and Chancellor...

That the same formality should be observed in the case of the present rumours relating to Prince Bismarck indicates a belief on the part of the authorities that the resignation of the German Chancellor is at least equal in political importance and scope to the death of a German Emperor, as indeed, it is, and that consequently they do not believe it to be a mere contribution to the perturbation of the Empire and the outer world by permitting the broadcast dissemination of statements which might possibly after all prove to be premature or erroneous. Premature it may indeed have been this morning to assert that the Emperor had at last yielded to the entreaty of his worried and wearied Chancellor, but I should say that at the hour of my writing - 9 o'clock - the risk of stating facts by anticipating them is very much less. It is highly probable, indeed, that by this time Prince Bismarck is in possession of the Emperor's decision, and that this decision is in accordance with the inflexible character of the Chancellor's own resolution.

In any case, the Emperor's mind must now be made up, and it is certain that others are also privy to his Majesty's intentions, who, by the doubtless conveyed this evening to his assembled generals, who had been summoned to his side by telegraph from all parts of the Empire. I chanced to be passing the Schloss about 6 o'clock, when my attention was arrested by a crowd of sightseers, who stood vaguely wondering as carriage after carriage, containing the commanders of army corps and other military magnates of the Empire (including Count Moltke, whose face was more than usually serious), swept into the courtyard of the Castle as if some unusual solemnity or function were afoot...

With regard to the immediate cause of the official rupture (for, after all, it is much more official than personal) which has ended in the resignation of Prince Bismarck, the theories vary much. We must not, however, look for one, but for several causes with a cumulative effect, though from the chain of these we may at once eliminate the hypothesis that Dr. Windthorst and his Hanoverian propensities have lately introduced a disturbing element into the relations between Prince Bismarck and his Imperial master. It may be - indeed, it is more likely than not, now we know that it was the Clerical leader who sought for his recent meeting with the Chancellor - that the subject of their conversation mainly turned on matters connected with the aims of the Duke of Cumberland and his natural enough desire to get hold of the sequestered moneys of his Royal father; but it is inconceivable that on this subject there should be any divergence between the views of Prince Bismarck and the will of the Emperor.

Meaningful terms

From Mrs L. E. Tripp
Sir, Teachers used to do voluntary activities. Now they have discovered that they have been doing unpaid overtime all these years. Yours faithfully,
L. E. TRIPP,
The Gables,
Wheatthampstead Road,
Harpenden,
Hertfordshire,
March 8.

From Mr C. H. Peto
Sir, I was relieved to hear (on the radio this morning) that an education expert had achieved "maximum generalisability" by taking, as a sample, 90 infant schools selected from urban, suburban and rural environments. Yours faithfully,
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Information Office of the European Communities
8 Storey's Gate, London SW1P 3AT
4 Cathedral Road, Cardiff CF1 9SG
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The RCN actively discourages smoking in all its premises.

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UN seen as best hope for the Gulf

Dubai (Reuter) — Mr Timothy Renton, Minister of State at the Foreign Office, said yesterday that mediation by Señor Javier Pérez de Cuéllar, the UN Secretary-General, offered the best hope of ending the Gulf war.

Mr Renton, speaking at the end of his three-nation Gulf tour, repeated Britain's readiness to consider a Kuwaiti request for military assistance "quickly and sympathetically" if the war split over into Kuwait.

Britain's main objective was to bring Iran and Iraq to the negotiating table, preferably under the umbrella of the UN Secretary-General because "it is with him that the greatest hope lies".

He declined to elaborate on what kind of aid Britain might offer as near the front lines of the Iranian offensive launched on February 9.

"The Gulf Co-operation Council countries are waiting to see what, if anything, Kuwait looks for in the way of help," he said. "Our position and that of other friendly countries must be much the same."

The council comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

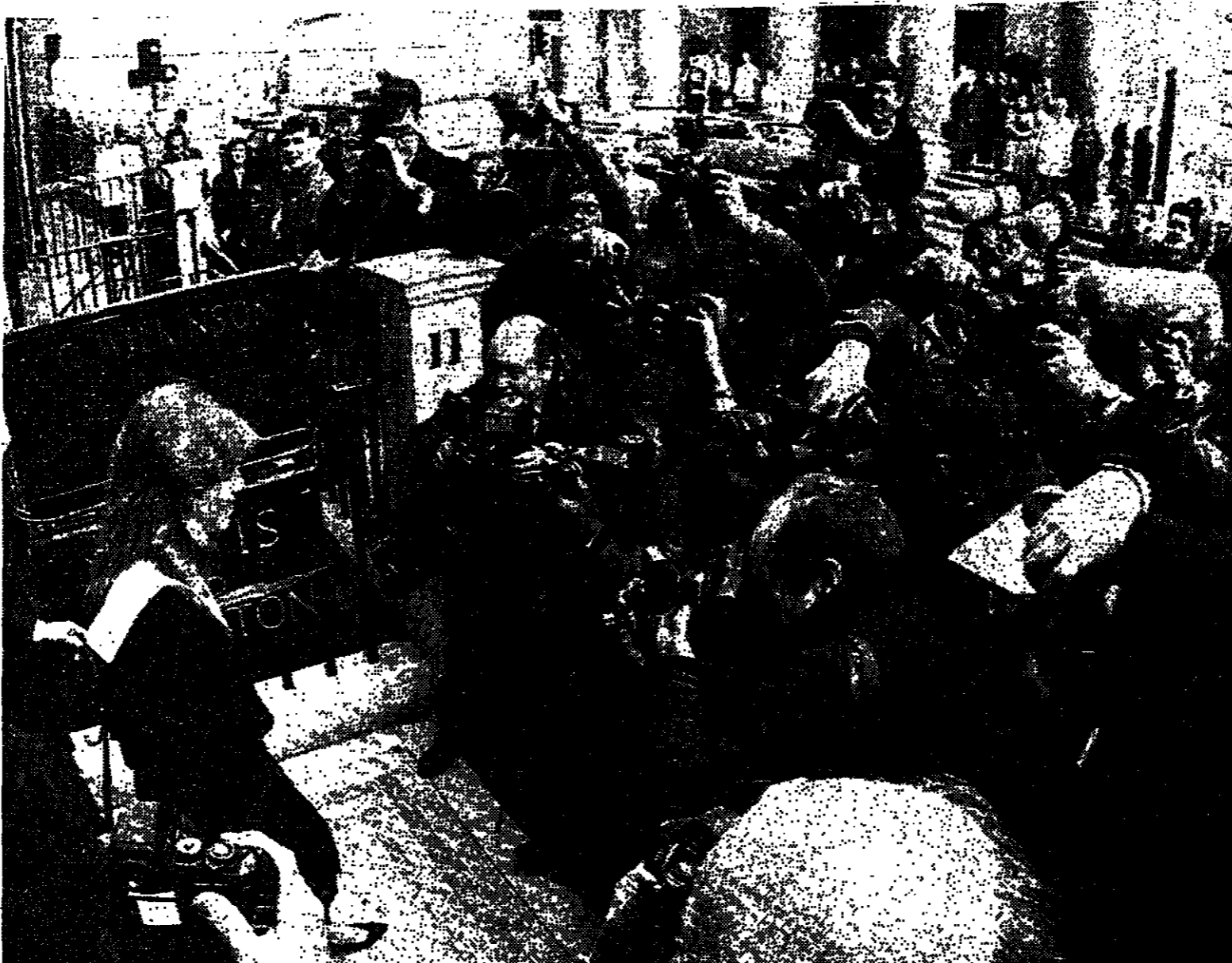
Mr Renton said he discussed the Gulf war, trade contacts and oil prices yesterday with Crown Prince Sheikh Maktoum bin Rashid al-Maktoum of Dubai; the UAE Defence Minister, Sheikh Muhammad bin Rashid; and the Finance Minister, Sheikh Hamdan bin Rashid.

Gulf oil ministers have criticized Britain's oil policy, saying it contributed to the collapse of the world oil price. Britain has spurned appeals from the Organization of Petroleum Exporting Countries to cut its output and coordinate with Opec.

But Mr Renton said that after talks with the rulers of Bahrain, Qatar and the UAE he did not think the issue had disturbed Britain's relations with Gulf countries.

War report, page 5

Smiles in the face of trial by camera



Photographers surrounding Miss Sarah Ferguson as she left her office in London yesterday to go to lunch (Photograph: Julian Herbert).

By Patricia Clough
Miss Sarah Ferguson yesterday continued to face her trial by cameramen with the charm and aplomb that have become top requirements for the role of a royal bride.

She had smiles for the photographers who were waiting as she left her flat in Clapham, south-west London, to go to work, smiles for a taxi-driver who pulled alongside for a chat in the traffic, for a cyclist who nearly got sandwiched between her car and a pursuing press vehicle and, enigmatically, for the photographer who vainly asked about an engagement to Prince Andrew.

She posed obligingly for cameramen, helpfully told them where and when she would be during the day, but kept silent about the one thing they most wanted to know — if and when the engagement will be announced.

"She is so nice to everyone. She is friendly, polite and charming," one captivated photographer said.

The pursuit of the presumed princess-to-be degenerated into slapstick comedy as some twenty photographers snapping her leaving her office in the West End, moved backwards as one man, straight into a trolley of scrap wood which some building workers had chosen that moment to unload into a skip.

The ensuing clash left the trolley, the wood, a small motor-bike, a squashed lady who had been selling Royal National Lifeboat Institution stickers, and several confused pedestrians littered about the street.

Meanwhile, the glare of publicity spread to Mrs Sarah Susan Ferguson, second wife of Major Ferguson, Sarah's father, whom she had introduced to the press as her "wicked stepmother".

Asked when the engagement would be announced as she left a Knightsbridge dinner party on Monday she joked: "If I did tell you anything I really would be a wicked stepmother and we don't want that do we?"



Miss Ferguson's stepmother in London yesterday.

Budget Sketch Whitehall farce in two acts

The traditional opening scene of a West End comedy, has the budget and the mood on stage for 10 minutes, gossiping about their betters and hinting at the plot (generally a light confession about adultery) before the central characters make their appearance.

Before Mr Nigel Lawson presented his Budget in the Commons yesterday, Mr Kenneth Clarke, the Postmaster-General, and Mrs Thatcher played those subordinate roles in a light confession about strikes and unemployment. Mr Clarke was quite convincing as the butler, Mrs Thatcher less so as the maid.

Wearing his hat as Chief Commons Spokesman on Unemployment, Mr Clarke was suitably grave and Jeeves-like on the plight of the unemployed.

As questions on unemployment gradually ended, Mr Clarke, including his way out, Mrs Thatcher came briskly in. Her first real opponent was Mr David Steel, who began confidently.

Given Mrs Thatcher's favouritism towards General Motors on the British Leyland takeover, and given her nervousness about British Airways, would the Prime Minister dispel the impression that the Government was opposed to management bias?

"If we were, why did we support a management buy-out for Vickers?" Mrs Thatcher said in reply.

But everyone was waiting for Nigel and it looked like being a popular Budget, from the Chancellor's expression of smug satisfaction. But since it is difficult to imagine Mr Lawson looking any other way, that was not perhaps a conclusive indication.

Mr Lawson, it transpired, was genuinely confident. He dealt ingeniously, for instance, with the problem of falling oil revenues. The Lords Select Committee on British Industry had warned last autumn that the gradual decline in oil production over 25 years would lead to the

collapse of British industry, unemployment, misery, despair, bitterness, etc.

"But if we can survive the loss of half these revenues in less than 25 months," he said "the prospect that the other half will fall over the next 25 years should not cause us undue concern." The Tories found themselves cheering a fall in the oil revenues.

Of course, this meant that the Chancellor had little to "give away" (ie, return to the taxpayer). But he distributed his meagre stock with great panache: more for charities, cuts in capital transfer tax, incentives for the small investor. It all began to sound quite generous.

There were, admittedly, sticky moments. The Chancellor's announcement that all the long-term unemployed would be granted interviews convinced few MPs that this would reduce unemployment except among interviewees.

"Tea and sympathy" jeered Labour MPs.

His announcement of a 1p cut in the standard rate of income tax was also barked as disgracefully inadequate by Opposition MPs who would have denounced a larger cut as a sop to the rich.

But Mr Lawson sat down to a short but enthusiastic reception from his own backbenches.

Mr Kinnoch had the traditional duty of giving the off-the-cuff reply to a Budget prepared over months. This has been a focus of painful earlier Opposition leaders, but nothing simpler for Mr Boyo. He just opened his mouth and out it flowed.

While riding up and down his own cadences, however, he paid the Chancellor an insouciant tribute. Oil prices had just paid to the pre-election giveaway budget that the Chancellor had hoped to introduce.

Mr Lawson, he charged, was not bribing the voters. It was an absolute disgrace. He would never get away with it.

John O'Sullivan

THE TIMES INFORMATION SERVICE

Today's events

Royal engagements

The Duke of Edinburgh opens the Nautical Institute's 1986 Command Seminar, Trinity House, EC3, 9.30; later he attends a reception given by the Corps of Royal Electrical and Mechanical Engineers, St James's Palace, 6.30; and then, as President, the Royal Society of the Arts, accompanied by the Prince and Princess of Wales, attends a dinner, and presents the Albert Medal for 1985 to the Prince of Wales, at the Royal Society of Arts, John Adam St, WC2, 7.45.

Queen Elizabeth The Queen Mother, attends the annual meeting of Queen Mary's London Needlework Guild, St. James's Palace, 3.30.

The Prince of Wales visits the 1986 Royal Institute of Painters in Watercolours Exhibition, the Mall Gallery, SW1, 3.

The Duke of Kent visits Eileanor, instruments, Droydsdon, Nr Manchester, 10.55; and later visits ERF Limited, Sandbach, Cheshire, 1.15.

The Duchess of Kent opens Phase I of the Glenfield District Hospital, Leicester, 11; and then visits the Fire Service Control Centre, Leicester, 2.25; later she visits the Belgrave Family Centre, Leicester, 3.20.

New exhibitions
Paintings by Margaret Livingstone and Marie Wilson; MacLaurin Art Gallery, Rozelle Park, Monument Rd, Ayr; Mon to Sat 11 to 5, Sun 2 to 5 (ends April 9).

The Police in Portsmouth: 1936-1986; Southsea Castle, Portsmouth; Mon to Sun 10.30 to 5.30 (ends November 30).

Last chance to see
Eastern Angles works by a group of East Anglian Artists; Oxford Gallery, 23, High St, Oxford; 10 to 5.

Music
Guildhall Chorus and Graduate Course Orchestra; Guildhall School of Music and Drama, Barbican, EC2, 7.

A Portrait of Shostakovich; Concert with John Shirley-Quirk (baritone), Dmitri

Alexeev (piano) and Gabriel Woolf (reader); Queen Elizabeth Hall, South Bank, SE1, 7.45.

Concert by the Uroboros Ensemble; St John's, Smith Sq, SW1, 7.30.

Organ recital by Susan Farrow; St Martin-within-Ludgate, Ludgate Hill, EC4, 1.15.

Organ recital by Roy Massey; Ellesmere College Chapel, 7.45.

Concert by Leeds Polytechnic Choir and Orchestra, Off's Carmine Burnas; Beckett Park College, Headingley, Leeds, 7.30.

Concert by the Birmingham Symphony Orchestra; Wessex Hall, Poole, 7.30.

Talks, lectures
"A Most Vile People": Early English historians on the Vikings, by Prof R I Page; Gussavere Tuck Theatre, University College London, Gower St, WC1, 5.30.

The rediscovery of a Victorian sound archive, by Bennett Maxwell; Museum of London, London Wall, EC2, 1.10.

The East Anglian period of manuscripts painting, 12.30; Medieval Apocalypses, 2, by Penelope Wallis; The British Library, Great Russell St, WC1.

The last surveyor and the architect, by Kevin Quirk; Royal Institution of Chartered Surveyors, 12 Great George St, SW1, 4.

Lent 1986: Faith in the City - The Church's challenge to the nation, by Sir Richard O'Brien; Westminster Abbey, SW1, 12.30.

Charles I as patron of the arts, by Mary Connarty; National Portrait Gallery, WC2, 1.10.

A place for faith, by Mr John Selwyn Gummer; St Ann's Church, St Ann's Sq, Manchester, 1.20.

Fractals and fractons - an introductory ride on the current physics bandwagon, by Dr H M Rosenberg; Large Lecture Theatre, Physics Department Building, Birmingham University, 1.30.

Existence and contiguity, by Prof Douglas Bridges; Radcliffe Centre, Buckingham University, Church St, 5.30.

Introduction to the Modern Collection; the Whitworth Art Gallery, Whitworth Park, Manchester, 1.15.

Exhibitions in progress
Travellers and Tellers, travellers and travel writing in the last 150 years; Foyles Art Gallery, Charing Cross Rd, WC1; Mon to Sat 10 to 6 (ends March 20).

English Watercolours; Alpine Gallery, 74 South Audley St, W1; Mon to Fri 10 to 6, Tues 10 to 9, Sat 10 to 2 (ends March 23).

Kites by Dan Baldwin; Regent Centre, High St, Chichester, Dorset; Mon to Sat 10.30 to 6 (ends March 29).

North West craftsmen; Stafford Art Gallery, The Green; Tues to Fri 10 to 5, Sat 10 to 4 (ends March 27).

Parliament today
Commons (2.30): Budget debate.

Lords (2.30): Debate on needs of voluntary organizations following abolition of GLC and metropolitan counties; debatable question on employee involvement.

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Books - hardback

The Literary Editor's selection of interesting books published this week. Along With Youth, Hemingway; The Early Years, by Peter Griffin (Oxford, £21.95).

Beloved Quixote, The Unknown Life of John Middleton Murry, by Katherine Middleton Murry (Corgi, £14.95).

Life in Public Schools, by Geoffrey Walford (Methuen, £12.95).

Loyalists and Lovers, by Michael Foot (Collins, £15).

Modern China, A History, by Edwin E. Moise (Longman, £15.95, paperback £7.95).

Tobacco: The Years of Wandering 1878-1885, by David Brown (Collins, £25).

The Burgundian Netherlands, by Walter Prevenier and Wim Biemans (Cambridge, £50).

The Catholic Faith, by Frederick Strang (Oxford, £12.50, paperback £3.95).

The Paintings of Benjamin West, by Helmut von Einem and Alan Slatley (Yale, £50).

The Shakespeare Walsh, by Geoffrey Kendall (Sligwick & Jackson, £12.95).

The pound
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FINANCE AND INDUSTRY

BUDGET SPECIAL

Basic rate cut of 1p will cost Exchequer £1.25bn in year

By David Smith, Economics Correspondent

The reduction in the basic rate of income tax from 30p to 29p in the pound, the first basic rate cut since 1979, costs the Exchequer £830 million in the forthcoming financial year, 1986-87, and £1.25 billion in a full year.

The tax changes mean that the single person on £140 a week will pay £1.70 less in tax weekly, and that the married man on £200 a week will see his tax bill cut by £2.45 a week.

The cut in the basic rate, generally thought to have been ruled out by the sharp fall in oil prices, is the first step towards the Chancellor's goal of a 25p in the pound basic rate.

The Chancellor, while rejecting the option of reintroducing the reduced-rate band of income tax, has nevertheless made some attempt to present his tax changes as being directed principally at those on average incomes or below.

The top rates of tax are left unchanged, rising to a maximum of 60 per cent. The Chancellor has also clawed back about £15 million by not raising higher rate thresholds fully in line with inflation.

In total, the revenue costs of the income tax changes announced yesterday will be £1.95 billion in 1986-87 in total, or £815 million above the cost of indexation.

All the main allowances are increased in line with the 5.7 per cent rise in prices in the 12 months ended in December.

For the single age allowance that means a £160 rise, to £2,850. The married age allowance rises by £250, to £4,505. The income limit for the age allowance increases to £9,400.

In the run-up to this year's Budget, three income tax options were considered: raising personal allowances by more than the rate of inflation; reintroducing a reduced-rate band of income tax on the first few hundred pounds of taxable income; and cutting the basic rate of income tax.

Since the Conservatives were elected seven years ago income tax changes have followed a predictable pattern. Initially, in 1979, the focus was on reductions in the basic and higher rates of income tax.

In every budget since then, with the exception of the austerity package of March 1981, income tax allowances and thresholds have been raised by more than inflation.

The rationale has usually been that it "takes people out of income tax" or, more subtly, alleviates the poverty and unemployment traps at lower income levels.

The poverty trap can mean that, because of the interaction of the tax and benefit system, people can become worse off when their income is increased. The marginal rate of tax, at present, can be very high for those on low incomes.

The unemployment trap operates in a similar way, but between income in work and income while unemployed. The situation is often that, in taking a paid job, a person can be left with a lower after-tax income.

However, both those problems will be alleviated, if not eliminated, by the Government's social security reforms. They should remove the need for the Treasury to tackle what are essentially social security shortcomings through changes in the tax system.

That is why, in the approach to this Budget, other changes in income tax were considered to be stronger contenders. A cut in the basic rate of income tax, if only to 29p in the pound, fits in well with the Chancellor's proposed reforms of income tax, albeit just as a small first step.

Similarly, the reintroduction of a reduced-rate band, while of questionable benefit for the low paid when compared with other income groups, looked logical as part of a staged move, working up through the income scale, towards a new system of transferable allowances, with a 25p in the pound basic rate.



Mr Nigel Lawson, the Chancellor, taking a pre-Budget stroll in St James's Park, London, yesterday with his wife Therese and their children, Tom, aged nine, and Emily, aged four.

Executive Editor Kenneth Fleet

First moves in Tories' pre-election strategy

The Chancellor, in his third Budget, has again set his sights on the conquest of inflation and an enterprise culture: sound money and free markets. But that is not all. Against most expectations, he has contrived, with intelligence and skill, a pre-election Budget. Not necessarily the pre-election Budget, which if Mr Lawson is right in his major projections, will come in a year's time - in glorious technicolour.

The Chancellor is a great gambler, as he showed last year when he gambled - and lost - on the sterling exchange rate. This year Lady Luck may smile on him.

In his various tax concessions, in the extension of the Business Expansion Scheme, in his major reform of Capital Transfer Tax and above all in his dramatic scheme for encouraging personal investment in equities, the Chancellor has made a powerful rallying call to the Conservative faithful.

In the City, judgement of the Budget is inevitably more balanced. For the most part, the markets accept, and will be encouraged by, the Budget's major figures: the projected £7.5 billion Public Sector Borrowing Requirement and the 3.5 per cent inflation forecast.

Even the revised target ranges for the revived sterling M3 monetary aggregate (11-15 per cent) and the narrower aggregate M0 (2-6 per cent) were not greeted in the Square Mile last night with cries of "lies, lies, lies".

That said, the sterling M3 target, which incidentally is offered only for 1986-87 and, unlike M0, not beyond, contains the strong hint, promise

almost, of a very liberal credit policy. This will serve to sustain a higher rate of economic growth and keep the voters happy.

The main omission from yesterday's statement was any reference to lower interest rates. The market nonetheless is looking for base rate cuts of one percentage point today, and in general to a decent phase of cheaper money. Bank lending cannot fail to go on rising at a rate pleasing to the banks, and also to the market in bank shares.

True the Red Book enters a caution: "If the underlying growth of M0 or sterling M3 were to move significantly outside their target ranges, the Government would take action on interest rates unless other indicators suggested clearly that monetary conditions remained satisfactory." Not perhaps too much of a caution but still an indication that interest rates remain the main instrument of monetary policy.

Liberal credit, lower income tax and a positive incentive to buy ordinary shares ought to add up to a rising stock market. This in turn is needed if the scheduled privatization issues, especially the huge British Gas flotation, are to be got away on the best possible terms.

Asset realization is a vital part of achieving the fiscal balance which is an integral part of Mr Lawson's impressive budget arithmetic. For the time being, the only serious bearish threat to the equity market is if the Chancellor's gambles should look like failing.

Stamp of ignorance

Personal Equity Plans are likely to have two main effects beyond raising the public's awareness of equity investment: they will fuel savings, possibly increasing savings at the margin, and they will compete with life assurance endowment policies. Since last year's Budget abolished tax relief on life assurance premiums, these policies have in any case become less attractive as a savings medium.

Now, they have competition. And because the underlying investments can, if desired, remain under the direct control of the investor the plans could prove to be very popular. The margins on selling Personal Equity Plans are unlikely to be high enough to attract the insurance companies, but they could create opportunities for the clearing banks, merchant banks and pension fund managers. The life companies are less likely to market the plans aggressively and savers may switch from life insurance to equity investment with a negative impact on the numbers of endowment policies sold.

The reduction in stamp duty is valuable, and its extension to previously exempt transactions ingenious if not universally welcome.

The stock market can live with the imposition of stamp duty on letters of allotment and the loss of the concession on "closing" transactions although there is a feeling that the latter is likely to reduce liquidity in the market.

The imposition of stamp duty on the transfer of loan stock is likely to halt transfers overnight as it is effective immediately at 1 per cent, falling to 1/2 per cent after "Big Bang". It will also discourage the issue of debentures and force all new issues offshore. This proposal, which betrays ignorance of how international capital markets work, should be removed from the Finance Bill.

Although the abolition of stamp duty on share transactions was not expected, it should have gone. Tokyo which retains a similar level of duty is an unfair comparison with London as it is a completely different market. More importantly, retaining stamp duty even at this much-reduced level places the London market at a disadvantage compared with New York. Presumably, the Chancellor hopes to overcome this disadvantage with the 5 per cent conversion charge on Authorised Depository Receipts (ADRs).

MARRIED COUPLES - INCOME ALL EARNED - ANNUAL FIGURES

Table showing income tax charges for 1985-86 and proposed changes for 1986-87, including percentage of total income taken in tax and reduction in tax after proposed change.

Calculations assume that only the husband has earned income.

SINGLE PERSONS - INCOME ALL EARNED - ANNUAL FIGURES

Table showing income tax charges for 1985-86 and proposed changes for 1986-87 for single persons, including percentage of total income taken in tax and reduction in tax after proposed change.

PERSONAL TAX ALLOWANCES

Table comparing personal tax allowances for 1986-87 and 1985-86, including single person, married man, wife's earned income allowance, etc.

* This is the maximum. Age allowance is reduced down to personal allowance levels by 22 for every £3 of excess income over £8,800 in 1985-86, £9,400 in 1986-87.

MARRIED COUPLE, NONWORKING WIFE, £20,000 MORTGAGE

Table showing annual income tax for a married couple with a nonworking wife and a £20,000 mortgage, comparing 1986-87 and 1985-86.

MARRIED COUPLE, NONWORKING WIFE, £30,000 MORTGAGE

Table showing annual income tax for a married couple with a nonworking wife and a £30,000 mortgage, comparing 1986-87 and 1985-86.

HIGHER RATE INCOME TAX THRESHOLDS

Table showing higher rate income tax thresholds for 1986-87 and 1985-86, including taxable income and rate.

Cut for basic rate taxpayers

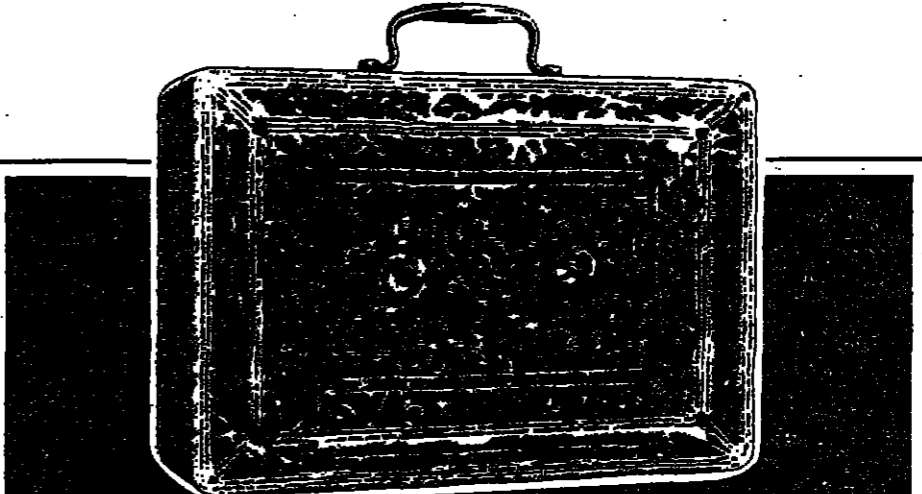
By Lorna Bourke

Basic rate taxpayers will enjoy 1p in the pound off their tax, bringing it down from 30 per cent to 29 per cent, and increases in tax thresholds to take account of inflation were announced.

The only disappointment is for married women who, the Chancellor said, would have to wait until the 1990s for any relief from having their investment income taxed as though it belonged to their husbands.

Non-working wives who are unable to benefit from any income tax relief will have to wait at least five years for the system of transferable tax allowances between husband and wife, proposed in the Green Paper published yesterday.

Higher rate taxpayers have not done quite so well. Thresholds have been increased by a flat £1,000 to each band. Had the Chancellor increased all thresholds to take account of inflation it would have meant an increase of more than



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More sell-offs

BES tightened up

THE BUDGET

Help for jobless

Shadow over oil

UNEMPLOYMENT

New strategy to help young and long-term jobless

By Edward Townsend, Industrial Correspondent

New measures to provide hope and jobs for the long-term unemployed, a renewed emphasis on finding work for young people, and a co-ordinated national unemployment action plan emerged in the Budget as being among the Government's central priorities in the run-up to the next election.

Lord Young of Grafton, Secretary of State for Employment, will today give full details of the additional resources to be made available for the new schemes and is certain to emphasize the importance of the Government now attaches to the decision to pull together existing pilot schemes under the one umbrella.

In particular, Lord Young and other ministers will emphasize Mr Lawson's promise that "every single one of the long-term unemployed throughout the land will be called for an interview and offered help in finding a job".

The total cost of the extra enterprise and employment measures - £195 million in 1986-87 and £290 million in 1987-88 - will, however, disappoint many in industry and the unions who had hoped for a much greater stimulus.

The AUC is sure to regard the amount as miserly, and even Sir Terence Beckett, director general of the Confederation of British Industry, was muted in his response. The measures were welcomed, he said, and the programme for the long-term unemployed was "of practical help to those without jobs".

The expenditure is also partly offset by savings in social security, reducing the figures for the two years to £100 million and £165 million. All of it, Mr Lawson said, is to be financed from reserves and so will not add to planned public spending.

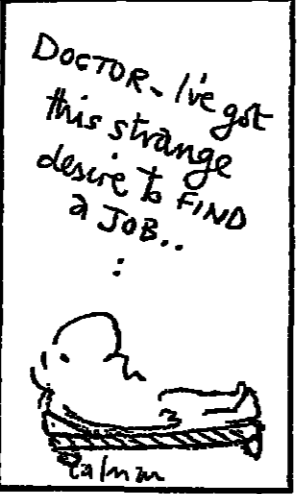
The Department of Employment regards the New Workers Scheme as the most exciting of the new measures. It is designed specifically to help people between the ages of 18 and 20 during their first year in jobs, and gives employers a £15 a week subsidy for workers aged 18 and 19 paid under £55 a week and a £20 subsidy if the new employee is 20 and paid less than £65 a week.

For the long-term unemployed, those who have been out of work for a year or more and who now number 1.3 million, or more than a third of the jobless total, there is a new national Restart programme which brings together new measures and the Jobstart scheme. The latter was begun in January in nine places and Lord Young has wrung additional funds from the Chancellor for an early extension.

Jobstart involves paying £20 to workers who take jobs paying less than £80 a week. Now, under Restart, it is to be expanded across the country and will also be tied in with counselling interviews for those out of work for over a year and short courses to improve their job-finding techniques.

At the centre of the drive against chronic unemployment has been the £1 billion Community Programme, under which the long-term jobless are given a year's temporary work judged to be of benefit to the community. It is to be expanded to 255,000 places by the end of this year, double the level of a year ago, but falls far short of the 500,000 places that was being advocated in Whitehall earlier this year.

At the heart of the Government's philosophy is the Enterprise Allowance Scheme (EAS), aimed at encouraging the unemployed to set up their own businesses as long as they have £1,000 of their own to invest. From the present rate of 65,000 entrants a year, it is now proposed to extend the scheme to 100,000 entrants by April next year, with some additional training.

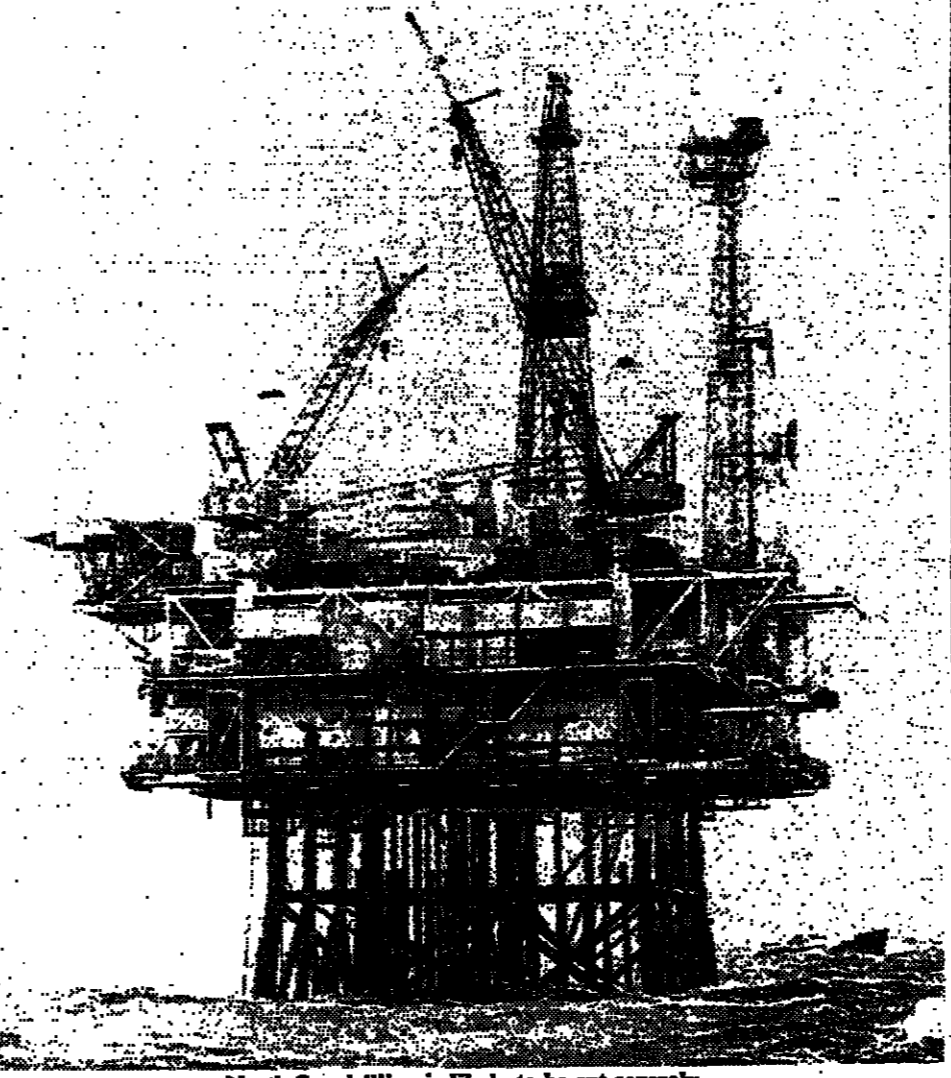


DOCTOR - I've got this strange desire to FIND a JOB..

Capital gains limits rise

Investors will be relieved that the Chancellor has made only small changes to Capital Gains Tax. The exemption threshold has been increased in line with inflation from £5,900 in 1985-86 to £6,300 for 1986-87. The threshold for most trusts has gone up from £2,950 to £3,150.

Transactions in futures and options in gilts and qualifying corporate bonds will be exempt from CGT with effect for disposals on or after July 2, 1986. There are also measures to counter the avoidance of CGT by dual resident trusts from March 18, 1986.



North Sea drilling is likely to be cut severely

Treasury riches are capped

By Carol Ferguson

A drop in the price of oil is good news for Great Britain Limited. It is good for the motorist, it cuts costs to industry and it helps in the battle to bring down inflation.

But as the Budget shows, it is mixed news for the Chancellor, who was left with a large gap in revenues for next year. It has never been easy to predict the government "take" from the North Sea. The Treasury usually publishes its forecast of oil revenues at the start of each fiscal year.

Between 1982 and 1985, it consistently underestimated North Sea income by an average of about 14 per cent. In this fiscal year, to March 1986, the Treasury is likely to find that its forecast of £13.5 billion will overesti-

mate North Sea revenues by about £2 billion. The Treasury last predicted revenues for the 1986/7 fiscal year at the time of the last budget, when £11.5 billion looked reasonable. That now looks hopelessly optimistic.

OPEC has failed to persuade Britain that North Sea oil output should be cut to bolster prices. Oil production expectations for the coming year are therefore unchanged at 2.5 million barrels a day, a marginal reduction on 1985. The Chancellor could be looking next year at a shortfall of £5.5 billion on his March 1985 forecast, and possibly more.

The other main casualty of the falling oil price is the North Sea oil industry itself. Unless there is a recovery in prices, many projects will be cancelled. Such marginal projects as would have become viable with a little help from tax relief have been scrapped. The pace of activity in the North Sea will be trimmed back severely, in line with reduced cash flows and unattractive returns.

Wood Mackenzie, the stockbrokers, estimate that drilling activity could fall by between 20 and 25 per cent in 1986, implying that as few as 80 wells will be drilled, compared with 107 wells last year.

Many fields will drop out of the petroleum revenue tax net altogether. The goose is still there, but it has stopped laying golden eggs.

PRIVATIZATION

Eight big flotations planned within the year

By Jeremy Warner Business Correspondent The Government hopes that by the end of this Parliament at least another eight major state-owned businesses will have been transferred to the private sector.

These include the activities of the National Bus Company, British Airways, Shorts, Unipart, Rolls Royce, Royal Ordnance, the British Airports Authority, and the British Gas Corporation. At least one of the 10 regional water authorities in England and Wales may also have been floated on the stock exchange.

If these plans are achieved in full, it will mean that since the privatization programme began in 1979, the proportion of the British economy in the hands of state industries would have dropped from 10.5 per cent to less than 6.5 per cent, and more than 600,000 jobs would have been transferred to the private sector. Government involvement in state-owned businesses would have been nearly halved.

Privatization has been one of the most vigorously pursued and successful of the Government's policies. Indeed, previous political opponents are now trying to climb

on board and the techniques developed for selling off state assets are increasingly being imitated throughout the world. Mr Neil Kinnock, leader of the Labour Party, recently conceded that re-nationalization of corporations such as British Telecom was no longer a priority and certain types of small shareholder, such as employees, may escape re-nationalization without compensation policy that would be applied to larger City investors.

No state-owned industry, or other public corporation, is now immune from the Treasury's hungry search for fresh assets that can be sold to the private sector. The list of potential candidates is still long, though rapidly dwindling.

According to Mr John Moore, Financial Secretary to the Treasury and the Government minister with responsibility for co-ordinating the privatization programme, revenue is not the primary aim of privatization. Much more important is the desire to increase competitiveness and efficiency and the belief that the powers of the free market place can achieve this better than state control.

State-owned industries are held back by the inherent inefficiencies and constraints of state control, he says. The level of their investment is at times governed more by the state of the public sector borrowing requirement than by the realities of the market place.

Lord King, who last week suffered the blow of hearing that the flotation of British Airways is to be delayed yet again, has argued powerfully that this is indeed the effect of state ownership. "It is inevitable that a departmental minister and his civil servants will interfere in the conduct of the business for which they have been made responsible," he said.

"They will do this not because of a form of perverseness, but because they may have a different use for available funds than satisfying an individual application from one of their businesses. This could be to the considerable detriment of the company and its customers and in due course to the competitiveness of the industry itself," Lord King said.

So ambitious has the Government's privatization programme become that it is being extended to the so-called "natural monopolies" where economies of scale and barriers to entry are such that it would be wasteful and impractical to break them up. British Telecom, with its virtual monopoly of domestic telecommunications, showed the way. Gas and water are next.

British Telecom not only demonstrated that if the net was spread wide enough the market had the appetite for extremely large flotations, but it also showed that with adequate regulation, natural monopolies could be privatized with minimal damage to the interests of customers and employees.

According to Mr Moore, the state is just as likely to abuse a monopoly a private owner and what is worse, when it does, the customer has no effective redress despite ministerial responsibility and parliamentary accountability. Effective regulation, such as that provided by Professor Bryan Carsberg at OfTel, the telecommunications watchdog, provides a much greater degree of protection, he said in a recent speech.

Mr Roy Watts, chairman of the Thames Water Authority and the keenest and longest standing advocate of privatization in the water industry, agrees that far from protecting customers, state control can sometimes damage their inter-

ests. But for the Government's policy of milking Thames Water for revenue over the years, customers would be paying less for their water and investment in much needed infrastructure would be higher, he argues.

British Telecom's license requires it to carry out certain functions which, left to its own devices, an unlicensed private company would not consider worth doing. These include the provision of rural call boxes and the emergency 999 service. It has also agreed not to increase its telephone charges by more than a certain amount each year.

The same sort of requirements will be put on water authorities. They will be required to maintain non-revenue earning services like pollution and abstraction control. Nevertheless, critics claim that the effect of privatization and competition in telecommunications has been to put an increased burden on those who can least afford to pay.

Despite the agreed pricing formula, British Telecom has been increasing the cost of renting a domestic telephone line and of local calls, much more rapidly than long distance calls. Previously, the largely unprofitable local net-

works had been subsidized by lucrative long distance and international business. Now BT is applying a much more hard-nosed commercial approach to satisfy the demands of its big business customers and meet the competitive threat posed by Mercury Communications, which is attempting to cream off some of BT's most profitable business.

Wider share ownership has been a major aim of the Government's privatization policy. Mr Nigel Lawson, the Chancellor, said in a recent speech that "a healthy modern capitalist economy must be based on widespread ownership of property and of the means of wealth creation".

But the truth of the matter is that so far privatization has done little more than halt the relentless drift of personal savings away from shares and into contractual savings schemes, such as pension funds and life assurance funds.

The British Telecom share flotation attracted around 600,000 long-term investors who had never owned a share before in their lives. But according to the stock exchange that has no more than scratched the surface of the problem.

The proportion of shares held by individuals in Britain declined from 54 per cent in 1963 to 28 per cent in 1981 and considerable tax reform will have to take place alongside the privatization programme to reverse the trend.

BUSINESS EXPANSION SCHEMES

Amendments intended to curb abuses

By Lawrence Lever

Amendments to the Government's Business Expansion Scheme will curb widespread abuses. These have been shown by the popularity of heavily asset backed ventures seeking BES finance.

The Chancellor has extended the scheme indefinitely. He has also ruled that companies whose net assets in land and buildings exceed more than half the company's total net assets will be excluded. This is likely to make it much harder for hotel and retirement schemes to qualify. But the public houses ventures, according to some sponsors, would still be viable through leasing rather than buying freehold.

Companies investing in assets normally held as investments, such as antiques and fine wines, are also to be excluded if the companies do not actively try and sell them. Other amendments introduced by the Chancellor include making the first disposal of shares in a BES company after five years free of Capital Gains Tax and allowing the business of ship chartering of British registered ships to qualify for BES finance.

There are also various technical amendments whose overall effect will be to give added flexibility to the structure of the scheme's arrangements, making it easier for certain types of company to qualify.

Outside equity

The scheme was introduced in the 1983 Budget amidst claims that it would herald a revolution in investment in small companies which were not quoted on any stock exchange. "These proposals will transform the position of unquoted trading companies seeking outside equity," Sir Geoffrey Howe, then Chancellor of the Exchequer, said in his Budget speech.

But the reality, in spite of the Government's attempts to show otherwise, and the cut of date report on the scheme published today by accountants Peat Marwick Mitchell, is that a substantial proportion of the £231 million of finance raised in the first two years of the scheme's existence has gone to projects which blatantly abuse its ethos.

The essence of the scheme is that investors can get tax relief on investments of up to £40,000 each year in companies whose activities qualify them to raise money under the scheme. Most companies will qualify although public companies whose shares are quoted on the stock exchange or Unlisted Securities Market will not. Certain trades, such as the provision of financial, legal and accountancy services, fall outside the scope of the scheme and a company must carry on its qualifying trade for at least three years.

Investment in BES companies is particularly attractive for higher rate taxpayers because of the availability of the tax relief. Tax relief For instance, an investment of £40,000 in one or more BES companies would in effect only cost the 60 per cent taxpayer £24,000. Investors must however hold on to their shares in BES companies for 5 years otherwise they forfeit their tax relief.

The Peat Marwick report confirms that tax relief is investors' dominant motivation for investments, and Inland Revenue statistics show that 60 per cent taxpayers are the most common BES investors whilst the average level at which rate is being granted is 50 per cent.

The BES emerged from the ruins of a scheme known as the Business Start Up Scheme, which was launched in 1981, to stimulate investment in new, start-up companies. Like its successor the BSS, the conditions governing BSS investment proved too restrictive. So the BES, which allows investment in established as well as start-up companies, replaced it in 1983.

The spirit of the BES - to create employment and encourage enterprise - has gradually been eroded from its first few months. The first and most obvious abuse of the scheme was the proliferation of farming projects raising BES finance. Sponsors realised that farming companies came within the scheme and that provided a certain amount of farming took place, these companies could use the BES money they raised to investing in vast tracts of farmland.

This land hopefully would increase in value during the life of the company, and certainly not decrease substantially. Investors whose £10,000 share of farmland only cost them £4000 after tax relief, would be attracted. One farming company, Beechbank sponsored by merchant bankers Hill Samuel, raised £13 million in 1984, almost 12% per cent of the £105 million of BES finance raised in the 1983/4 tax year.

Not surprisingly farming ventures were removed from the BES in the 1984 Budget, but not before they had had a significant impact on the scheme. The Inland Revenue statistics for 1983/4 show that about £12.5 million was raised by only 23 companies operating primarily in the farming area. Against this it took 300 companies in the manufacturing industries to raise £35.4 million of BES finance.

The Chancellor's removal of farming ventures from the scope of the scheme only led to another blatant abuse of its spirit, through property development companies. Like the farming companies, these projects created little in the way of new jobs, and existed primarily as a method of investing in freehold or long leasehold property, at a cheap price on account of the availability of tax relief.

As most of these companies would carry on property development in the London area, and as London property prices were and still are rising, these companies were very appealing to investors. Statistics are not yet available as to how much money was raised for these ventures, although two sponsors, Johnson Fry and Guinness Malton raised about £23 million, on property development companies, against a total BES intake for the year of £126 million.


Safe investment Since property development was removed from the scheme's ambit in the 1984 Budget a host of other asset oriented ventures emerged as sponsors sought other means of packaging safe investment with the attraction of tax relief. Some of these, such as companies which planned to build new hotels, had the advantage of creating employment. But others such as schemes for investment in antiques, fine wines and art galleries often consisted of existing companies having off their assets into a new BES venture and using existing premises, staff and administrative back-up to provide the rest. The Inland Revenue's own published statistics for the 1983/4 tax year show that far and away most of the economic activity stimulated by the scheme was in the comparatively prosperous southern regions of the country. Areas of high unemployment in the North of England and in Scotland received little in the way of BES finance.

Some £61.4 million was raised by companies operating in the South of England and East Anglia. In contrast the total investment for the entire area of the North of England, Yorkshire, Humberside and Scotland was only £15.9 million. Of this only £4.4 million of BES finance found its way to companies in the North of England as opposed to £54.8 million in the South.

Alan Comer, of Peat Marwick Mitchell who prepared the report on the BES says: "If you plough through the 1984/5 tax year all you get is the conclusion that we've got lots of asset backed schemes. We all know that the scheme was not meeting its objectives". Other problems thrown up by the scheme included the need for BES funds, in essence pools of investors' money managed and invested in several companies by fund managers with the appropriate expertise) to invest in companies before the end of the tax year to qualify for tax relief on that investment in that year.

The absence of a formalised Inland Revenue procedure has led to inconsistencies in granting Revenue approval for companies seeking to raise finance under the scheme. At the same time the BES has undoubtedly provided sources of finance for companies which would have struggled to raise money elsewhere, as the Peat Marwick report highlights.

Again as the report points out it has created new jobs and saved ones which would have been lost. It has stimulated greater interest in the venture capital markets, and created a greater willingness on the part of enterprises seeking finance to release some of their equity stakes.




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THE RIGHT PLACE TO BE... THE TIMES

Charity gifts relief • Mortgage rates to fall

THE BUDGET

Petrol goes up 7½p • Cigarettes go up 1p

CHARITIES

'Radical' moves on tax laws welcomed by organizations

Changes in the tax laws on charitable organizations were far more radical and far-reaching than we could have hoped for," Mr Michael Brophy, director of the Charities Aid Foundation, said yesterday.

The changes allow companies tax relief on one-off gifts up to a maximum 3 per cent of the annual shareholders' dividend.

The £10,000 limit on charitable covenants is to be abolished, and from April next year "payroll giving" will allow individual employees tax relief on donations of up to £100 a year deducted from their pay.

In addition Mr Lawson extended VAT relief for charities in a number of key areas including non-classified newspaper advertising lifts and distress alarms for the handicapped, and welfare vehicles for the deaf, blind or mentally handicapped.

Mr Brophy said the tax relief on one-off company gifts would encourage medium-sized companies to give more and in five years could increase by a half the £80 million companies now give to charity.

If 10 per cent of the workforce joined payroll giving schemes at just 5p a day that, with the tax relief, would be worth £143 million a year and the lifting of the limit on covenants could allow those who owned rapidly expanding private and closed companies to make very large covenants.

He said: "In five years time these changes could have altered the whole climate of giving and be worth many hundreds of millions of pounds a year to charities. It is up to all of us to go after what is now available. It is a challenge to the voluntary sector."

"What we hope will not happen is a withdrawal of state support if that happens. The voluntary sector stands half way between the private and state sectors and needs the support of both."

In all, public sector support of charities amounted to about £2,000 million and private sector support £1,000 million.

Individual charities welcomed the changes while saying they were saddened that

Mr Lawson had not extended VAT relief further. Sir John Cox, Director of the Spastics Society, said the changes on tax relief for giving were "exciting." He said: "It gives the chance for shareholders to say to their companies why are you not giving more?" he said, and payroll giving could encourage more individual donations.

The VAT changes were welcome, with the newspaper advertising concession worth about £25,000 a year to the Spastics Society, but "The Chancellor still does not seem to understand that we give the same service in schools and residential centres as local authorities but still get clobbered for VAT when local authorities do not pay it. VAT on building works for residential homes cost us £170,000 last year yet again local authorities do not have to pay."

The VAT Reform Group welcomed the concessions on VAT, which the Treasury estimate to be worth £10 million a year. It said: "It is the most substantial concession the Chancellor has ever given us on the estimated VAT bill of £20 million to £25 million a year."

Both the Arts Council and the Central Council for Physical Recreation welcomed the tax relief changes, with the CCPR saying they had drafted a charitable youth sport trust deed which will enable any sports organisation to hive off its youth activities and qualify for the tax relief.



MORTGAGES

Rate cut expected very soon

By Our City Staff

Home-buyers can expect a cut in mortgage rates very soon if the anticipated reduction in bank base rates materialises today, Mr Roy Cox, chairman of the Building Societies Association, said yesterday. "A reduction this week of around 1 per cent in bank base rates should lead to a corresponding cut in mortgage rates."

With the present high inflow of funds many building societies are having difficulty lending their money at current rates and will be anxious to see an early cut in home loan rates.

Last night the Abbey National said that a 1 per cent reduction in bank base rates could lead to a 0.75 per cent cut in mortgage rates from 1 April. The company's marketing manager, Mr Alan Deegan, said: "If we only see a 0.5 per cent reduction from the banks we might be able to make a small adjustment but it is important for us to move against a fairly hard market."

A spokesman for the Nationwide Building Society said it was very keen to see a reduction in mortgage rates and agreed that the societies were looking for a full 1 per cent fall in bank rates. But if bank rates only dropped by 0.5 per cent, the societies would want to wait and see if there was a further decrease before it reduced mortgage rates.

PENSIONS

New rules for surpluses announced

By Jeremy Warner Business Correspondent

Rules and guidelines for dealing with surpluses in company pension schemes were announced in the Budget.

The Government said that present Inland Revenue practice leaves many scheme trustees uncertain about the options open to them in reducing surpluses, particularly if they wish to make a refund to the employer.

It was also concerned that some pension schemes may at present be excessively overfunded.

In future, any employer which accepts a refund from its pension scheme will be subject to 40 per cent tax on the refund. That is designed broadly to recover the tax relief previously given by the Inland Revenue.

At present, refunds are taxed at the company's marginal rate of tax, with the result that companies delay realizing pension scheme surpluses until they are paying little or no tax.

The Government estimates that the special 40 per cent rate will be worth £20 million in extra revenue in 1986-87 and £120 million in 1987-88.

ESTATE DUTY

Tax on lifetime gifts abolished

By Lawrence Lever

Capital transfer tax on lifetime gifts to individuals was abolished yesterday. However, under a new inheritance tax - it will still apply to gifts on death and lifetime gifts into discretionary trusts.

The surprise announcement will solve the problems of majority shareholders in private companies disposing of their shares and home owners wanting to give their homes, free of capital taxation, to their children.

The Chancellor's move was widely regarded by the accountancy profession yesterday as heralding a return to the former estate duty tax which applied only on death. It was replaced in 1974 by CTT, which first introduced the concept of a tax on lifetime gifts.

Mr Peter Leach, of Stoy Hayward, the accountants, said: "The abolition of the tax introduces a whole new area of estate planning for family companies, and possibilities for the creation of trusts to assist in the payment of school fees."

In line with the previous estate duty provisions, there will be a tapering rate of tax for gifts made within seven years of the donor's death. For example, gifts made within five and six years of death will be taxed at only 40 per cent of the full death rate charges.

Gifts from individuals into discretionary trusts will still be subject to tax, as before. This is because in many cases a donor making gifts into discretionary trusts may still retain an interest as a beneficiary of that trust.

CAPITAL TRANSFER TAX (Inheritance Tax) - Death Rates

Tax rate (%)	1986/86 scale	1986/87 scale
NH	0-57	0-71
30	57-89	71-95
35	89-122	95-129
40	122-155	129-164
45	155-194	164-206
50	194-243	206-257
55	243-299	257-317
60	over 299	over 317

The new rate is to apply to transfers made on or after March 18, 1986

Lifetime rates of CTT have been abolished on transfers between individuals.

Rate of charge on gifts within 7 years of death:

Years between gift & death	% of full charge at death rates
0-3	100
4-4	80
4-5	60
5-6	40
6-7	20

Transfer on or within 7 years of death will be taxed on their value at the date of the gift on the death rate scale, but using the scale in force at the date of death.

COMPANY CARS

Change in rule adds to costs

By Hugh Clayton

The cost of having a company car is to rise for the second successive year, but this time changes to the 10-year-old rules for taxing the users of company cars are more complex.

The Government expects the changes to raise £50 million in a full year.

Mr Lawson, the Chancellor, said that the increases would still leave the value of a company car higher than the cost of being taxed for having one.

The Society of Motor Manufacturers and Traders complained that the Budget changes were far too limited and showed that the Government had not yet realized that company cars were "tools of commerce and industry".

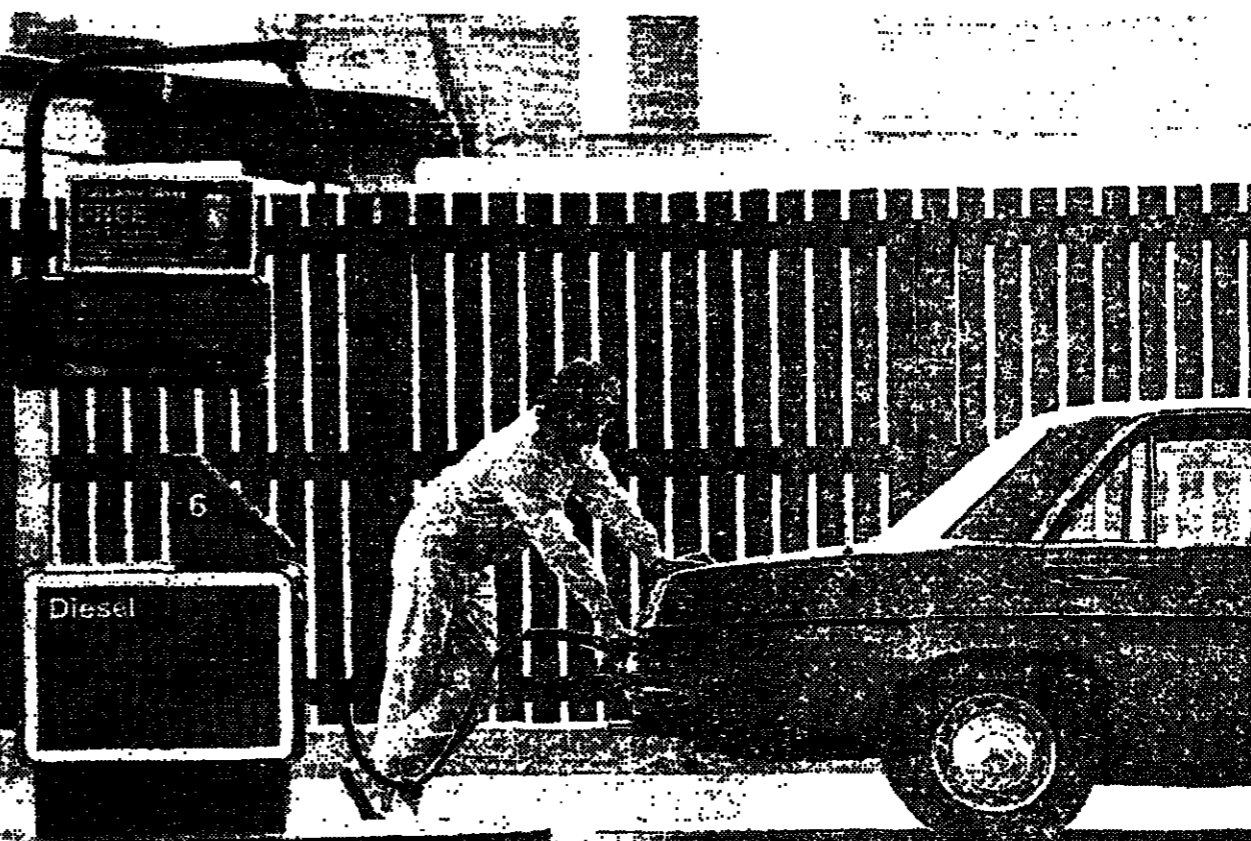
But it added that the Budget changes on company cars were so complicated that the society had not been able to work out their impact on users.

There are two scales of tax charges on users of company cars who are paid more than £8,500 a year. One is based on cars and the other on company petrol which is available for private use.

The first scale ranges from about £30 a year for the smallest old cars to more than £2,000 for the newest and most expensive. The scale is complicated by its division into engine capacities at the lower end and car values at the upper.

This means that most company car users are assessed for tax by engine size. Mr Lawson announced that the size divisions are to change to bring Britain into line with general EEC practice. The 1,300cc division moves up to 1,400cc and the 1,800cc to 2,000cc.

Mr Lawson said he would not raise the tax charges for company petrol, but would "restructure" them in a year. They would apply to partnerships with company cars and to single business owners as well as to limited companies.



MOTURING

Petrol up but no change in car tax

By Teresa Poole

Motorists face higher petrol prices after the Chancellor's decision to increase the total duty by 7.5p a gallon on 4 star petrol and 6.5p on diesel. If the whole increase is passed on to the consumer, the average price of 4 star will rise to 181.5p and diesel to 187p.

Last night Shell said it would pass on the increase when existing duty paid stocks are exhausted at the weekend. BP will not make its decision until today.

The overall burden of tax on motorists remains the same in real terms but the balance is shifted between petrol duty and road tax. The increase in duty is 2p more than inflation but there are no increases in the vehicle excise tax on cars and light vans - which stays at £100 - or on lorries.

Mr Lawson said yesterday that he thought oil companies should absorb the higher rates of duty. "Given the very substantial increase in oil companies' margins, there is clearly no need for the pump price of petrol to go up at all."

TOBACCO

Extra levy brings fear of job losses

By Derek Harris, Industrial Editor

Cigarettes should be available in the shops at pre-Budget prices for several weeks, in spite of recent excise restrictions on the amounts that can be stockpiled by distributors.

Once those stocks run out manufacturers fear falling sales and a threat to jobs as the Chancellor's impost of 11p on a packet of 20 cigarettes hits smokers. Prices of hand-rolled tobacco for making cigarettes are also going up proportionately by 17p for a 25 gram pack.

The increase means that the recommended retail price for a pack of king-size cigarettes will move near to, or above, £1.50.

Before the end of the year manufacturers may increase prices also, probably by at least 2p for 20. When cigarettes went above £1 competition became much sharper, leading to a popularizing of cut-price lines introduced by supermarkets and other shop chains. Many of the "own-label" brands are manufactured abroad.

ALCOHOL

Low sales, feared despite amnesty

By Derek Harris, Industrial Editor

The drinks trade was surprised and delighted that for the first time in seven years taxation had not been increased on any alcohol drinks.

But there are still worries that sales of many lines could stay in the doldrums.

Scotch whisky makers regard as fragile the recovery in domestic sales last year. During the long sales decline the industry cut down on distilling and bottling capacity as well as cutting about 3,500 jobs.

Sales of fortified wine, especially sherry, decline sharply last year, with a drop of about a sixth against the previous year. The table wine boom has also been deflated, with sales growth dropping below 10 per cent for the first time since 1982.

TAX AND DUTY

Excise duties and VAT as percentage of purchase price

Excise duties and VAT as percentage of purchase price

	Excise duty	VAT	Total tax
Cigarettes	82.4%	4.8%	87.2%
Petrol	48%	13%	61%

RACING

Racing concern as bet duty stays

By Teresa Poole

The racing industry is disappointed that the Chancellor has not abolished the on-course general betting duty of 4 per cent.

More than 50 MPs signed a motion earlier this year calling on the Chancellor to stimulate attendances at racecourses by dropping the duty, which

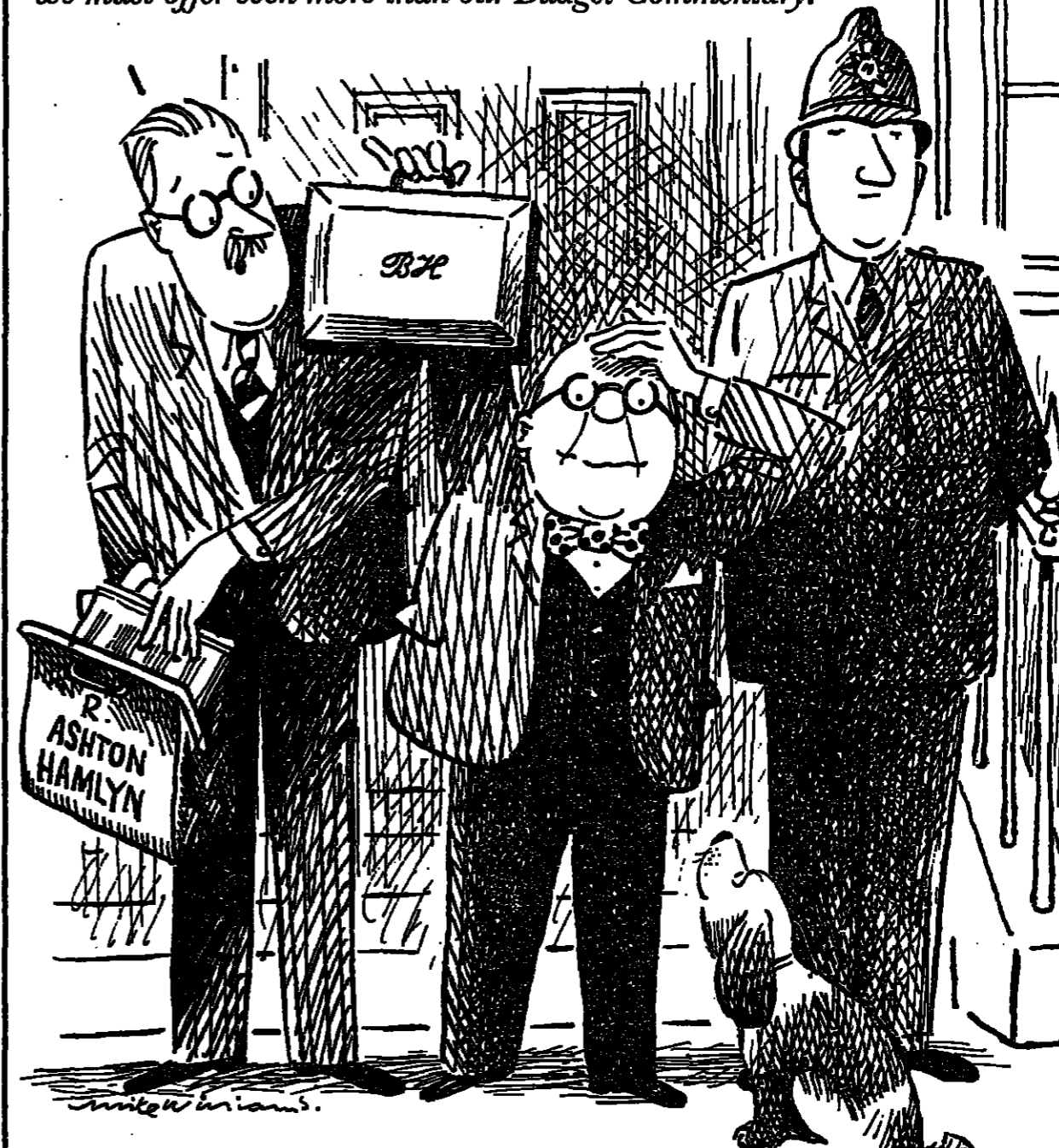
raises £17 million a year for the Exchequer.

On-course attendances have declined slightly over the past few years but the proportion of bets made on-course rather than in betting shops has remained stable at about 10 per cent. But it is feared that changes in the law to allow televisions and refreshments

inside bookmakers shops from last week will further reduce attendances.

The 4 per cent duty is financed by successful bets as it is charged by the bookies on winnings and returned stakes. Bets placed off-course are taxed at the higher rate of 8 per cent which is rounded up to 10 per cent to cover overheads.

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STAMP DUTY

Cut in share dealing costs will boost competition

By Jeremy Warner, Business Correspondent

Stamp duty on share purchases and sales is to be halved to 0.5 per cent with effect from October 27, the day on which fixed stock broking commissions are due to be abolished.

The Chancellor of the Exchequer said there was a formidable case for reducing stamp duty in view of the City's £6 billion contribution to overseas earnings each year.

The move also recognized the Stock Exchange's need to compete with leading overseas stock markets such as New York and Tokyo and the actions the Stock Exchange is itself taking towards reducing share-dealing costs.

However, the Chancellor also said he intended to claw back the loss of revenue to the Treasury, estimated at £70 million in 1986/7, by bringing a number of share transactions, which are at present exempt from the tax, into the stamp duty net.

That would include dealings within the Stock Exchange's two-week account, which will become liable to the 0.5 per cent rate of stamp duty with immediate effect.

One dealer said the effect of that on speculative account trading could be dramatic and

called the change "a tax on the spivs".

Traded options and futures will not be included in the wider stamp duty net. But sales duty exemption on takeover transactions, schemes of reconstruction, amalgamation and demerger transactions, and most categories of loan stocks, is being withdrawn with immediate effect.

Sales duty exemption for purchase by a company of its own shares will be withdrawn with effect from October 27, as will exemption for bearer letters of allotment.

Finally, a special 5 per cent duty on conversion of British shares into American Depository Receipts is to be charged with immediate effect. ADRs provide a method of dealing in the shares of British companies on foreign stock exchanges and have been responsible for considerable loss of business to the London Stock Exchange in recent years.

Britain at present shares with South Africa the distinction of having the highest international rates tax on the sale and purchase of shares in the world.

According to a recent survey by the Stock Exchange on transaction taxes, London's largest competitor, the New

York Stock Exchange, charges no transaction tax at all, and Tokyo charges 0.55 per cent on sales only. In Europe, rates vary from 0.35 per cent in Belgium to 0.0375 per cent in West Germany.

Sir Nicholas Goodison, chairman of the Stock Exchange, said: "The Stock Exchange is working hard to meet international competition and to help establish London as a major financial centre."

"This is the right policy for Britain and it would do great harm to this policy and to Britain's potential overseas earnings if the Government failed to reduce stamp duty to levels which are more internationally competitive."

The Stock Exchange also believes that penal stamp duty rates are a significant barrier to the Government's aim of wider share ownership, adding greatly to transaction costs and encouraging the drift of personal savings into contractual schemes such as life assurance and pensions.

The other important transaction cost, stockbroking commissions, will fall sharply for larger deals after the "big bang" next October, when for the first time stockbrokers and stock jobbers will be allowed to charge what they like for

buying and selling shares.

At the moment, brokers have to charge commissions according to a scale set by the Stock Exchange. But the exchange has agreed with the Government to allow free competition from next October.

Paradoxically, competition could mean higher charges for small transactions which some brokers argue are at present subsidized by, lucrative big institutional business. The reduction in stamp duty will allow brokers to disguise the extra cost of small transactions for private investors.

The campaign for the abolition of stamp duty is only part of a broader Stock Exchange strategy to encourage wider share ownership among individuals.

Share ownership among private investors has fallen dramatically in recent years largely because of the tax advantages of contractual savings schemes, and because of the huge marketing success the building societies have achieved.

The Stock Exchange plans to step up its marketing campaign with television commercials and other publicity.

DIRECTORS

Tax cuts 'boost to recovery and jobs'

The Chancellor has re-established his radical reputation and is back on course with a credible long-term strategy, the Institute of Directors said last night.

Hailing the 1986 Budget as one of the most innovative and breathtaking budgets for a long time, the institute predicted that the Chancellor has regained the confidence of the business world.

The institute said that the Chancellor's cut of 1p on the basic rate of income tax and the commitment to further tax cuts in future years would put Britain back on a course for a period of steady reducing taxation towards a 25p basic rate. Tax cuts were the best long term means of gaining economic recovery.

"There will be an early boost in jobs from the Chancellor's package of new employment schemes," the institute said.

It also welcomed the tax relief measures to encourage wider share ownership as a "major step towards a share owning democracy".

It welcomed the "loi Lawson" and said that it strongly backed the Chancellor's proposed profit sharing tax relief schemes.

"Abolishing the gift tax will help many small businessmen to hand on their businesses to their children."

STOCK MARKETS

Shares up £3,000m and 'set to soar'

By Cliff Feilham

More than £3,000 million was added to share values last night as the stock market gave a warm welcome to the Chancellor's package.

Some dealers said that the market, at record levels, could soar another 20 per cent this year, spurred by the £200 million tax incentive to encourage small investors.

More than half the gains in the market came after the Chancellor had started his speech and by the close the FT index stood at a record 1374.6, up 16.9.

The wider ranging FT-SE share index closed 21.8 higher at 1644.4.

Allied-Lyons expressed relief that drinks had won a tax amnesty and closed 13p up at 313p while Grand Metropolitan, in the same celebratory mood, added 16p at 386p.

Stores also did well, with Gussies up 20p at 509p and Boots 8p better at 279p.

Building shares reflected prospect of increased activity in the new likely event of a 1 per cent cut in home loan rates.

Mr Richard Jeffrey, of stockbrokers Hoare Govett, said: "I am very much in favour of what the Chancellor has done. The share market is going to love the personal equity plan and the market

looks set to go a lot higher - a 20 to 25 per cent gain over the rest of the year looks likely."

Mr Mike Osborne, of brokers Grieson Grant, said: "It is very good news for equities. Consumers will have the benefit of lower taxes which the market had not expected."

But there was a less enthusiastic response from Mr Mike Prag, of brokers Simon and Coates. He called it a "boring Budget" and thought the equity plan would appeal to only a few thousand investors who

were already unlikely to be caught up in the capital gains tax net.

One blow for the stock market came with the Chancellor's decision to slap a 5 per cent stamp duty on trading in ADRs, or Authorized Depository Receipts. These are promissory notes held in British companies and traded on overseas markets, mainly in the United States.

Market sources saw the Chancellor's step as a way of channelling market business back into London by making the initial purchase exercise more costly ahead of the "Big Bang" in October.

The company handling most ADR business is Morgan Guaranty Trust, whose vice president, Mr Gordon Knight, thought the move would have a "considerable effect" on the flow of shares between Britain and the US. "It will create a high barrier."

There is brisk trading in New York in ADRs in well known British companies, such as ICL, Glaxo, BP, British, and Jaguar, where 40 per cent of the equity is held in ADRs in the United States.

One dealer said: "The Chancellor is trying to stop any further leakage of business out of London."



LOAN GUARANTEES

More borrowing likely after cut

By Derek Harris, Industrial Editor

A revival in the use by small businesses of bank loans under the Government's Loan Guarantee Scheme (LGS) is expected now that its cost to borrowers has been reduced by halving the premium paid on the guaranteed portion of loans.

Borrowers under the new scheme starting next month and going on for three years will pay a premium of 2.5 per cent over and above the going rate for bank loans on the 70 per cent guaranteed portion of any loans they take out. It means that the net premium on a loan will be 1.75 per cent.

The LGS makes it possible for businesses to get loans of up to £75,000 with less security than is normally called for by the banks.

Mr David Trippier, Minister for Small Businesses at the Department of Employment, said he expected to see some "fairly dramatic" marketing of the new scheme from now on, with support from the clearing banks in "selling" the LGS to customers who could benefit from it.

Welcoming other Budget measures aimed at benefiting small businesses, Mr Trippier said: "This is a Budget for enterprise and jobs. It is recognized by the Government that new jobs will be created principally by small firms."

The inclusion of some ship chartering in the Business Expansion Scheme will largely benefit the small business sector because coastal chartering is largely carried out by owner skippers.

Other measures helpful to small business include the expansion of the Enterprise Allowance Scheme, including a once-only taxation provi-

sion, and a trimming of corporation tax for small companies to 29 per cent.

Changes in standard rate tax will also benefit many small businesses that are not incorporated. Changes in capital transfer tax will enable the principal of a small business to pass it on to the next generation of the family without penalty.

The LGS and capital transfer tax moves were described as a "tremendous shot in the arm" for independent businesses by Mr Michael Grylls, chairman of the Small Business Bureau. But he was disappointed that the ceiling for LGS loans had been held at £75,000 rather than being increased to at least £100,000 and preferably £250,000.

The LGS was launched in June 1981, since then total lending under the scheme has amounted to £530 million through 15,000 guarantees. Up to the middle of 1984 it is estimated that 44,500 jobs had been created under the scheme at a comparatively low cost of £2,200 a job.

Initially, the scheme imposed a premium on borrowers of 3 per cent with 80 per cent of loans guaranteed by the Government. Because of a high failure rate the terms were tightened with the premium raised to 5 per cent.

After that the rate of uptake of loans under the scheme dropped sharply. At one time, guarantees were running at 330 a month or more, but have slid to an average of fewer than 50 a month.

A £50 million loans ceiling for the scheme introduced in December 1984 and running through to the end of this month has still not been fully used up.

PROPERTY

No help for unit trusts

Those in the property world hoping to sell units in large and expensive office and shop developments have not been helped by the halving of stamp duty on share sales. Unit trusts have been excluded.

It will now be cheaper to put land and property into single asset property companies than a unit trust, given the differential on selling the investment. But advocates of unitization say the differential is not enough to make much of a difference.

The stock market showed little reaction to the Budget in the property and construction sectors.

Some of the leading construction stocks put on 1p or so on the hopes that an expected 1 per cent cut in bank base rates will materialize after the Chancellor's speech. Any increase in consumer spending will help the retail property market and an uplift in industrial growth will come through in demand for larger and better premises.

CIVIL LIST

Payment by taxpayers up 4%

By Alan Hamilton

The Civil List - the taxpayers' contribution to the running expenses of the monarchy - is to rise by 4 per cent in the coming year, in line with the Government's guidelines on departmental spending.

Total payments to members of the Royal Family this year will be £5.3 million, compared with £5.1 million last year.

Three-quarters of the money goes in wages, salaries and pension contributions to more than 300 staff employed in the Royal Household, who will be awarded a 4 per cent pay rise from April 1.

In an effort to cut costs, Buckingham Palace has in the

controlled food costing system.

Many major items in the overall cost of monarchy, such as maintenance of the royal palaces and the running costs of the Royal Yacht Britannia and the aircraft of the Queen's Flight, are not covered by the Civil List.

It is many years since the Civil List included a personal allowance for the Queen, the nearest she has ever come to being paid a salary for the job.

Individual increases for most other members of the Royal Family are also held to a maximum of 4 per cent for the coming year. Prince Andrew's allowance, however, is held at £20,000, mainly to

pay for secretarial help, but it would increase to £35,000 in the event of his marriage.

The Queen will be 60 next month, but will not be eligible to draw state old age pension.

On the other hand, she benefits from exemption from all income tax, including payments into her privy purse from the lands of the Duchy of Lancaster, her principal private source of income, which yield her about £1.5 million a year.

From those private resources she repays to the Treasury the cost of providing Civil List allowances for the Duke of Gloucester, the Duke of Kent, and Princess Alexandra.

Table with 2 columns: Name, Amount (£'000), and Income over last year (£'000s). Rows include Queen 4,136, Duke of Edinburgh 200.3, Queen Mother 85.1, Princess Anne 124.8, Princess Margaret 121.5, Prince Andrew 20, Prince Edward 20, Refunded by Queen: Princess Alice 48.2, Duke of Gloucester 57.8, Duke of Kent 132, Princess Alexandra 125.8.

Advertisement for SAA (South African Airways) featuring the headline 'SAA move to Heathrow Terminal 1.' and an image of an airplane. Text includes: 'FROM APRIL 12TH One-terminal simplicity at Heathrow to and from South Africa', 'For air travellers connecting with other airports throughout the UK, Ireland and Europe, SAA offer one-terminal simplicity at Heathrow Terminal 1. Whether you're flying to South Africa. Or flying back. More non-stop flights. Plus far and away the best wine on the route, says Business Traveller Magazine (World Airline Wine Survey). More than ever, SAA is the No. 1 way to South Africa.'

Advertisement for City relief on profits reprieve. Text includes: 'CITY relief on profits reprieve', 'By Richard Thomson Banking Correspondent', 'There was surprise and euphoria in the City that the budget contained no tax on financial services or even an attack on the high level of salaries being paid to some City executives.', 'Experts had feared that the Chancellor would strike on both fronts this year, particularly because of his need to offset the reduction in stamp duty on share transactions.', 'The clearing banks had felt particularly vulnerable to a tax after the high profits they announced only two weeks ago. Few had expected the one-off "windfall" profits tax imposed on the banks several years ago but a more permanent tax had appeared likely.', 'That could have taken the form of a tax on banking transactions or on consumer credit transactions where the borrower would have had to pay extra on top of the normal rate of interest charged by the lending company. The banks had said that any such tax would have had to be passed on to their customers.', 'A further suggestion was that the Chancellor could have chosen to tax interest paid on the perpetual floating rate debt raised by the clearing banks last year.', 'Instead the Chancellor chose to tax other areas of share dealing to make up for the cut in stamp duty.'

Advertisement for Low Pay Unit. Text includes: 'LOW PAY UNIT', 'No change for those in poverty trap', 'The Budget will be a cause for anger and disappointment among Britain's 9 million low-paid workers, according to the Low Pay Unit.', 'Income tax changes have been concentrated yet again on the better off. For the low paid, family income tax cuts are worth about £1.45 a week, but 73p of that has been clawed back in the form of higher taxes on cigarettes and petrol.', 'The changes will have no effect on those in the poverty trap whose number has increased five-fold over the past six years from 90,000 to 489,000.', 'The extension of the Job Start Scheme and the New Workers Scheme is condemned by the unit. Both schemes have been shown to be a monumental failure.', 'There is no evidence that the schemes will create new jobs. Instead, they encourage the use of the long-term unemployed and young people as cheap labour substitutes for those already in work.', 'It is a cynical attempt to disguise the fact that the Government has no real policy for the creation of jobs.', 'The unit's director, Mr Chris Pond, said last night: "The Prime Minister had promised to repay a debt to the low paid, who had seen their tax bills increase sharply under the Government. The Chancellor has tonight defaulted on the first repayment.", "The Budget will do nothing to help families in the poverty trap. It is a Budget for poverty, not a Budget for the poor. The Chancellor has short-changed the low paid."

Transferable allowances part of radical changes planned

Green Paper on tax reform

By David Smith, Economics Correspondent

The Green Paper, *The Reform of Personal Taxation*, published yesterday, proposes radical changes in income tax, to be implemented, after consultation some time during the 1990s.

The reform has to tax married women on the same basis as their husbands, not discriminate against marriage and the family and enable cost-effective increases in tax thresholds, according to the paper.

The recommended way of doing this is through a system of transferable allowances, in which everyone, single or married, has a tax allowance in their own right, the unused portion of which is transferable, in the case of married couples, to the spouse.

The report says: We need to move to a new system that taxes married women on the same basis as their husbands, and that does not discriminate against marriage and the family, and that enables us to increase tax thresholds in a more cost-effective way.

A way of meeting such objectives would be a new system of independent taxation with transferable allowances.

Under this system everyone — man or woman, married or single — would have a tax allowance in their own right, whether or not they were in paid employment.

To recognise the shared responsibilities of a married couple, a spouse who did not have enough income to use up their own tax allowance would be able, if they wished, to transfer the balance to their partner.

The income of a husband and wife would no longer be added together for tax purposes, and all taxpayers would be able to have independence and privacy in their tax affairs.

Were a system of this kind to be introduced, the Government would aim to do it in

such a way that no couple would suffer a reduction in cash terms in their total tax allowances during the change.

The ultimate aim would be to get to a position where two new-style allowances amounted to the same as the total allowances to a two-earner couple before the change.

On 1987 figures this would mean: • single people would have their allowance raised from £2,335 to £2,995;

• the married man, who was the only earner in the family, would have his tax threshold raised from £3,655 to £5,990 (assuming that his wife transferred her allowance to him);

• two-earner married couples and married couples where the wife is the sole earner would keep the same total allowances in cash terms £5,990.

The loss of revenue from reducing the tax burden in this way would depend on developments during the period before the change was made. It would, for example, be affected by movements in prices and wages and by changes in tax rates and allowances in the years leading up to the change.

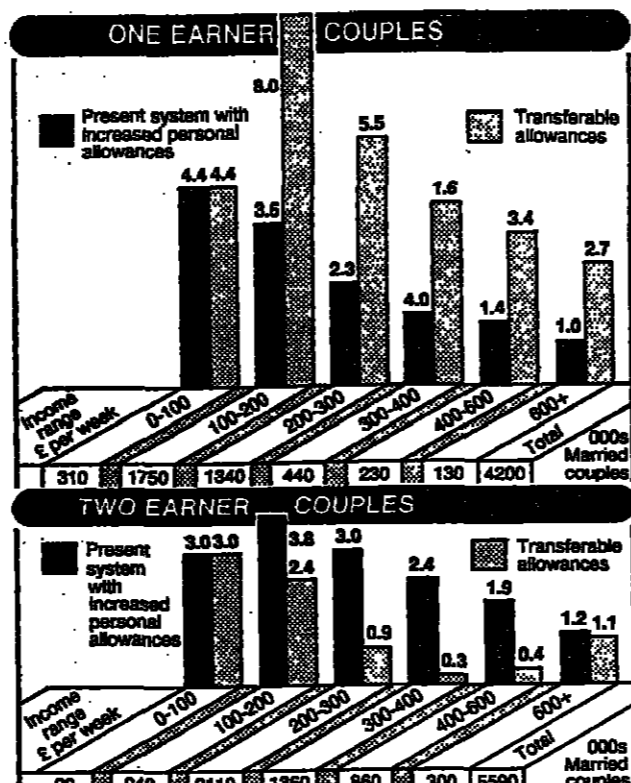
The change itself could theoretically be made in one year, or, more realistically, it could be phased in over a number of years.

The sums that in any event would have been set aside for indexation of personal allowances — whose size would depend on the rate of inflation — could contribute to financing the change.

The longer the period of phasing, the smaller the revenue forgone by way of tax reductions in addition to what would have been required for indexation.

At the extreme the change could be phased in over a period long enough to ensure that there was no loss of revenue beyond what would have been required for that purpose.

Phasing would also have



Reduction in average rate of tax (percentage points) in moving from present system to present system with increased personal allowances or transferable allowances.

implications for the distributional effects of the change. During the transitional period, the cash allowances for single people and one-earner married couples would be increased instead.

While the new system was being phased in, some taxpayers would find that their allowances remained unchanged in cash terms over a period of a year or more. The value of these allowances would therefore fall in real terms, with inflation.

The extent of these possible real losses would depend upon the length of the transitional period and the use made of any scope for overall tax cuts during that period.

The decision about the length of the period of phasing cannot be taken now. It would be taken much nearer the introduction of the new system, in the light of economic circumstances at the time and in particular the scope for tax reductions. And the length of phasing could be altered while it was in progress if circumstances changed.

The Government will make reductions in taxation only as and when it is prudent to do so. But the firm objective is to reduce the total burden of taxation, a move to transferable allowances should be seen as part of that process.

If transferable allowances were introduced, married women would be treated as independent taxpayers; they would be responsible for their own tax affairs, be able to fill in their own tax returns, and to pay their own tax. It follows that the legislation which deems a married woman's income to be her husband's for tax purposes would be abolished.

Transferable allowances would give married women an opportunity for complete privacy in tax matters. Couples where the husband and wife both had income above the tax threshold would be treated, in effect, wholly independently.

For other couples, any transfer of allowances would be wholly voluntary; people would not have to make any transfer, or they could transfer an amount less than the whole of their unused allowances if they so chose (accepting that their partner would be entitled to less tax relief in consequence of their choice).

A system of transferable allowances would thus reflect the Government's belief that a married woman should have the same right to deal with her

own tax affairs as any other taxpayer.

Transferable allowances would provide a means for recognising through the tax system that, at different times and for different reasons, one partner in a marriage may be financially dependent on the other.

The Government reject the view that the tax system should pay no regard to the special relationship and responsibilities that exist within marriage. The aim is to recognise these in a way that is straightforward, flexible, and does not seek to make invidious distinctions between couples in different circumstances.

Transferable allowances would ensure that a couple's total allowances remained the same, and did not fall when one partner left paid work. This is often at a time when the couple may be under financial pressure.

The Government have already announced major proposals to strengthen and rationalise the support provided for families with children through the social security system. Details were set out in the Social Security White Paper in December 1985. General support will continue to be provided through the universal, flat rate child benefit.

The Government believe that the tax system should not discriminate against families where the wife wishes to remain at home to care for young children.

The effect of transferable allowances on the willingness of married women to go out to work would need to be carefully considered. Since it would give everybody the same tax allowance, the system would treat married men and married women in exactly the same way.

In principle, transferable allowances are neither an incentive nor a deterrent for married women seeking work.

A change to transferable allowances would enhance the benefits of raising tax thresholds in two ways. • The change itself would reduce the tax burden on couples where only one partner had a paid job.

• Once the new structure was in place, thresholds could be raised more cost-effectively than under the present system.

If transferable allowances were introduced, one-earner and two-earner couples would subsequently gain equally from any threshold increases.

More of the benefit of increases in the allowances would go where they could be more effective. Transferable allowances could thus provide a more sensible — as well as a more straightforward — basis on which the Government could carry forward their long-term objective of further raising tax thresholds.

The Government will study the response to the Green Paper very carefully before deciding how to take these issues forward. If it is decided to proceed, legislation for transferable allowances would then be introduced.

BUDGET REACTION

Scepticism on scheme to attract investors

By Richard Thomson, Banking Correspondent

There was concern and scepticism in the City yesterday as savings and investment institutions tried to evaluate the likely effects of the new Personal Equity Plan outlined in the Budget.

Bankers and building society managers agreed that the scheme would increase competition for retail deposits which has already escalated rapidly over the last year.

However, institutions were playing down the impact. Mr John Bayliss, general manager of the Abbey National Building Society, said: "It will affect our deposit receipts a bit, but how attractive will the plan be to the man in the street?"

"If it only attracts the more financially aware investors we would not expect to lose large amounts of deposits."

He said that societies could make up lost retail deposits by borrowing more from the wholesale money markets.

The Halifax, the largest building society, said that there was no comparison between building society deposits where the capital was secure and an equity investment where it was not.

Mr Mark Boleat, deputy general secretary of the Building Societies Association, said: "Societies will want to offer personal equity plan accounts and earn fee income by acting as plan managers. They can offer easy regular transfers of money from deposit accounts to equity accounts, but it is not clear whether the new building societies legislation will enable societies to do so as agents managing people's shares."

There was doubt among building society managers yesterday that clauses could now be added to the bill, which has reached its third reading in Parliament, to allow societies to act as plan managers.

Bankers agreed that the new scheme would intensify the war for retail deposits as more money went into the stock market, but they are better placed than building societies to offer share management services.

"The whole thing is a tremendous damp squib," said Mr Tim Miller, chief executive of Framlington Unit Trust Managers.

"Since there is no tax relief on the initial investment it is far less attractive than share schemes in other countries. In any case investors get a tax-free limit of £6,300 on capital gains which severely reduces the attractiveness of the tax arrangements in the new plan."

He said the scheme would only appeal to the rich who had already used up their tax allowances.

Mr Roger Jenkins, marketing manager of M & G Securities, said that if unit trusts were not included as eligible vehicles under the new scheme unit trust companies would be lobbying the Government to have them included.

Lawson praised for 'ingenuity' by Tory MPs

By Philip Webster, Political Reporter

Conservative MPs praised Mr Nigel Lawson last night on what they described as a skilful and ingenious Budget, although there was criticism from some at the lack of measures to bring down unemployment.

Mr Neil Kinnock, speaking in the Commons immediately after the Chancellor, denounced it as a "bits-and-pieces Budget" and a promise of "jam tomorrow", criticisms that were echoed by the leaders of the other opposition parties.

But Mr Lawson, who was accorded a warm reception when he went to a meeting of the Tory backbench finance committee after his Budget speech, was generally held to have made the best use of the limited resources at his disposal and appeared to have been given the benefit of the doubt even by some of his customary critics on the Tory side.

Relief rather than ecstasy was reported to have been the predominant mood of backbenchers at the meeting.

Mr Terence Higgins, chairman of the all-party Treasury and Civil Service Select Committee, described the Budget as "extremely ingenious, given

outside, that the Chancellor had not done more about unemployment. Although some welcomed the 1p cut in income tax, which surprised the back benches almost as much as the decision on petrol duty, others felt it could have been better used.

Sir Peter Tapsell, MP for Lindsey East, was one of several MPs who argued that Mr Lawson should have given himself more leeway by allowing a higher public sector borrowing requirement.

Mr Robert McCrindle, Conservative MP for Brentwood and Ongar, said he was disappointed. His test for the Budget was what it did for employment in a direct sense. "I am sorry to say it does very little."

The 1p cut sounded dramatic, he said; nobody would be inclined to turn it down. But the available limited resources should have been devoted to improving the employment situation. "To that extent it is something of a missed opportunity."

Tory MPs on the right enthused about the Budget, some describing it as brilliant. Mr John Carlisle, MP for Luton, North, said it was a "great fillip for disillusioned Conservatives — a clever Budget politically and financially."

Mr Kinnock said it was a puny Budget, a sideshow Budget that offered nothing for the poor. Mr Lawson, he said, still had to reduce taxation by another 5p to get it down to the level it was in 1979.

It offered nothing for the poor, he added. It was a "judge-it" Budget from a government that had worn away the industrial base of the nation and wasted huge amounts in a rake's progress financed by oil revenue. "These have been the wasted years, the locust years."

Dr David Owen, the Social Democrat leader, described it as a Budget for the election rather than for the future, a Budget for the South rather than the North. He said it did nothing to heal the divisions in the country; if anything it exacerbated them.

For the Liberals, Mr David Penhaligon said that the Government had decided that, politically, "it can live with three million unemployed".

The director general of the Association of British Chambers of Commerce, Mr Ron Taylor, said: "Why no action on interest rates? We see no reason why base rates should not be cut tomorrow by at least one percentage point; if this does not materialize, the Chancellor's Budget package will swiftly go sour."

"The fall in oil prices may have put the Chancellor in a bit of a jam; he has managed to make it go quite a long way, particularly for small firms. For example, the extension of the loan guarantee scheme and the reduction in the premium from 5 per cent to 2½ per cent is even more than we asked for. The scheme will now become a very attractive source of finance for small firms."



Dr Owen, who said it was a Budget for the South, not the North.

en the fact that he had no money to play with". An enormous amount of thought rather than money had gone into the proceedings, he added.

Sir William Clark, chairman of the Tory finance committee, described it as a wealth-creating Budget the background to which was extremely encouraging. Despite the loss of revenue from North Sea oil, the buoyancy of the non-oil economy was excellent.

Mr John Townsend, vice-chairman of the committee, said: "It is amazing that he has been able to do despite the decline in oil revenues. He had very little room for manoeuvre, but I think he will have pleased the party and that it will go down well in the country."

But there were reservations from some MPs, expressed in the finance committee and

Working wives to lose out

By David Smith, Economics Correspondent

The Institute for Fiscal Studies has criticized the proposed system of transferable allowances as "severely flawed".

Their main beneficiaries are non-working married women. Under a system where every individual, whether working or not, is allocated a single allowance, non-working married women can transfer allowances to husbands.

Every married couple will get the equivalent of two single allowances. The result is a system which can be presented as "blissfully simple, easy to understand and, above all, fair", the IFS says.

But the institute says that the list of problems which such a system would create is long and daunting.

Transferable allowances will hit couples where the husband and wife are employed. At present such couples get the equivalent of 2.6 single allowances — the married man's allowance plus the

wife's earned income allowance. Under the new system they would get two allowances, losing £375 a year at 1985/86 levels.

To prevent this loss, the IFS says, the Government will probably be forced to raise the single allowance by about 30 per cent, at a cost of more than £4 billion.

The system, while it will be described as independent taxation, is not, the IFS says. It is identical to the present system, but without the wife's earned income allowance, and with a higher married allowance.

Transferable allowances will act as a disincentive for wives to work. Under the proposed new system, wives will start paying tax immediately, except in the small minority of cases where the husband does not earn enough to use both allowances.

IFS calculations suggest that 200,000 working married

women would leave the labour force as a result. Family discord is likely if the husband suffers a loss of net income when his wife starts working.

Also, the IFS says, the system would make privacy, notably where one partner earns less than the threshold, impossible.

These major disadvantages have to be set against the two minor advantages of abolishing explicit sex discrimination in the tax system and treating spouses with equal incomes identically.

A far better approach, the IFS says, would be to abolish the married man's allowance without introducing transferable allowances. The IFS says there would be no disincentive for married women who want to work and the tax resources released could be targeted to those who need it, most notably married couples with children, through a big increase in child benefits.

STARS' EARNINGS

Foreign performers to be taxed at source

The earnings of foreign stage and screen performers and sportsmen and women working in Britain are to be subject to income tax at basic rates paid at source from next year, the Chancellor announced (David Hewson, Arts Correspondent, writes).

The measure will bring the country in line with the way British performers are treated when they work abroad, Mr Lawson added, and raise an estimated £75 million a year.

The changes will mean that this will be the last year in which a wide range of familiar sports and show business figures can work in Britain without paying tax.

Performers who would be affected by the changes include the singer Madonna, who is finishing a new film in Britain, the singer Liza Minelli, who is appearing in London in her own show, and the regular round of US rock stars such as Bruce Springsteen whose concerts earn millions of pounds.



Martina Navratilova, who faces a taxed Wimbledon.

Tennis stars such as Boris Becker, Martina Navratilova and John McEnroe are some of the highest earners to be affected. This year's Wimbledon will be the last tax-free tournament.

Sports figures believe that tennis players compete at Wimbledon principally for the name of the tournament and the effects winning it can have on their earnings elsewhere.

The changes will also affect racing drivers, golfers and high-earning players in other sports such as snooker where players such as the Canadian Cliff Thorburn can pick up sizeable purses.

The entry of foreign performers into Britain is already tightly controlled through the issue of work permits and the restrictions imposed by the actors' union Equity, which normally demands reciprocal arrangements before allowing foreign artists to appear.

Mr John D. Weber, senior vice president of IMG, which represents many foreign sports personalities, said that the tax had been expected for some time, and matched the practices of most other Western countries.

"I don't think it will dissuade people from playing here, but there may be a few who aren't happy about it. The Revenue has been talking about these changes for some time now so they don't come as a surprise. "If you win a golf tournament in America you lose a 30 per cent withholding tax on the prize at source, and that's the case in most places."

We've been watching with interest the excitement over recently announced price reductions of cellular telephone retailers.

You've probably noticed yourself how keen they are to sell you their mobile cellular telephones at "bargain" prices.

You might even have begun to believe they offered unbeatable value for money.

On a simple price basis alone, they cannot beat Unique-Air. And our equipment is at least as good as anything they have on offer; we even provide a 2 year warranty on our Class 1 mobile equipment at no extra cost.

Furthermore, they can't measure up to the back-up service we provide for purchasers of our equipment.

Through the resources of AT&T, the pioneers of cellular communications, and the automotive engineering experience of Unipart, we've been able to devise a service that's way ahead of everyone else's.

That's why, for instance, we felt it important to have our own special Customer Service Centre.

Through the Centre, we're able to

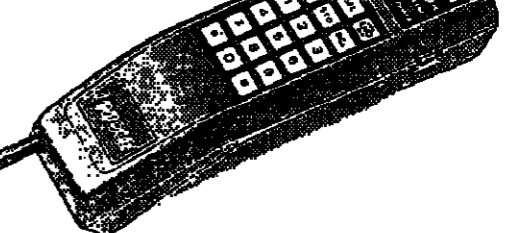
The end of the phoney price war.

arrange for fully trained fitters to install and maintain our equipment at any of the specialist installation centres we have spread across the country. And we have more of them than anyone else.

Through the same Customer Care Centre, we're able to personally deal with all queries and are unique in providing a monthly billing format individually tailored to each customer's need (a feature of our service that's the envy of our competitors).

All this is included as a standard part of our monthly charge and we don't even have a minimum call charge.

In other words, not only do we match the competition on price, we beat them all the way down the line, as you'll discover if you call our Customer Service Centre now on 0865 716768.



UNIQUEAIR

ON THE CUSTOMERS' WAVELENGTH

March 18 1986 • Upswing continues

PARLIAMENT

Success of industry • Price of oil

Lawson looks back over time of growth and expansion

COMMONS

The background to this year's Budget is the dramatic and unprecedented fall in the world oil price.

But the Government's objectives remain unchanged, too. Policies of sound money and free markets.

Not least, because these are the only routes to more jobs, and jobs that last.

So my Budget today will carry forward the themes of my two previous Budgets, and so some seeds for the future.

In the course of my speech I shall begin by reviewing the general economic background to the Budget, and go on to deal with the specific issue of oil.

I shall next discuss monetary policy and the fiscal prospect, both this year and next.

I shall then turn to the question of direct help to the unemployed.

Finally, I shall propose some changes in taxation designed to assist in achieving the economic objectives I have already outlined.

At the same time, as last year, I propose to increase the (restructured) car benefit scale charges by 10 per cent.

As the same time, the motor industry has represented to me the engine break points in these scales and the break points in the new European Community directive on car exhaust emissions is potentially damaging to its international competitiveness.

COMMENTS

erle importance to this country, has of course been the collapse in the price of oil.

Recalling that he had presented his last Budget at the end of a 12-month oil strike, Mr Lawson went on: I observed at the time it was a remarkable tribute to the underlying strength of the British economy that it had been able to withstand so long and damaging a strike in such good shape.

We now have to face a challenge of a very different kind. Over the past few months the price of oil has almost halved and with it our prospective North Sea oil tax revenues and earnings from oil exports.

In real terms, the price is now back to what it was at the end of 1973.

Not surprisingly, perhaps, this has had a fair amount of turmoil in the financial markets with sterling under pressure.

I decided that it was right to respond with an immediate 1 per cent rise in short-term interest rates in early January, and this helped to prevent the downward movement of the exchange rate from developing an unhealthy momentum of its own.

But equally, I thought it right to resist the pressure, which for a time was very strong indeed, to raise interest rates still further.

That pressure in due course subsided, and though the financial markets remain somewhat volatile the mood has changed considerably, assisted by a modest but welcome reduction in interest rates overseas.

Meanwhile, let me repeat that there is no question whatever, and never has been any question, of the UK cutting back its oil production in an attempt to secure a higher oil price.

In the first place, the whole outstanding success of the North Sea has been based on the fact that it is the freest oil province in the world, in which decisions on levels of output are a matter for the companies and not for the Government.

And in the second place, we are not only, or even principally, a major oil producer; we are also a major world producer and trader of other goods and services, and a major oil consumer.

There is no overall UK national interest in keeping oil prices high.

INDUSTRY

Manufacturing industry, the subject of so much ill-informed comment, had another successful year, with its output up by 3 per cent, its productivity up by almost 4 per cent, and both its investment and its exports up by 6 per cent.

At the heart of this success lies a remarkable turn-around in productivity. In the six years prior to 1979, Britain's annual rate of growth in manufacturing productivity, at less than 1 per cent, was the lowest of Group of Five major industrial nations.

In the six years since 1979, our annual rate of growth of manufacturing productivity has been second only to that of Japan.

Looking ahead, I expect 1986 to be a further year of steady growth with a 3 per cent output forecast to rise by 3 per cent, and inflation to fall by 3.5 per cent, 1986 is set to register our best overall performance in terms of output and inflation for a generation.

The pattern of growth should show a satisfactory balance, too, with exports and investment expected to grow rather faster than consumer spending - as indeed they have during the sustained upswing as a whole.

But the uncertainties inherent in all these forecasts, good though their track record has been, are reinforced by constant reminders that we live in an uncertain and turbulent world.

One particularly difficult aspect of this is the fragile nature of the world currency markets.

There has been some improvement here. The Plaza Agreement, between the Group of Five finance ministers last September has undoubtedly led to a more sustainable pattern of exchange rates worldwide.

Since that meeting, the dollar has fallen by some 16 per cent against the other major currencies as a whole, with the pound moving up by 7 per cent, the Deutschmark by 26 per cent, and the yen by 36 per cent - a pattern broadly in line with what those of us who were party to the Agreement had hoped to see.

This process will be assisted further if the passage of the Gramm-Rudman amendment succeeds in securing its objective of a much-needed reduction in the United States budget deficit.

Meanwhile, the Plaza Agreement has already succeeded in reducing, at least for the time being, the dangerous protectionist pressures that were building up in the United States.

Provides a more stable environment, I believe that the Plaza Accord is something we can usefully build on.



WILSON

money, as they do on the exchange rates. Their effect on buoyancy is more complex and much more delayed.

As I have indicated, there will be pluses and minuses within the economy.

If industry is the main gainer, the main loser, at least today, is the Chancellor of the Exchequer. (Labour laughter) I can live with that. (Continued laughter)

But it does mean that North Sea oil revenues, which are likely to amount to some £1.5 billion for 1985-86, are bound to be very much less in 1986-87.

Indeed, on the assumption of an average North Sea oil price for the rest of this year of \$15 a barrel - which is close to the average published price for the past month of around \$16 a barrel - oil revenues in 1986-87 will be virtually halved at some £6 billion.

This has obvious implications for the Budget.

But the important fact is that, just as we successfully weathered a year-long coal strike, so we have been able to take the unprecedented collapse in the oil price in our stride.

We have been able to do so, first, because of the underlying strength of the economy in terms of growth, inflation and the external account. (Labour interruptions.)

And, second, by virtue of the reputation we have earned over the seven years for sound and prudent financial management.

STRATEGY

Squeezing inflation

The framework within which that sound and prudent financial management has been pursued and will continue to be pursued is the Government's medium term financial strategy.

It provides as firm a guarantee as any government can give that the Government will not increase the money supply beyond what is needed to meet the demand as it does against excessive money demand.

At the heart of the MTFS lies the objective of steadily reducing the growth of total spending over the next 25 years.

It is of course true that in relative terms we do lose from the collapse of the oil price. That is to say the really big gains will be made by the major non-oil-producing countries, such as Germany and Japan, where growth will be boosted and inflation, already low, is likely to fall virtually to zero.

And inevitably we suffer a decline in the value of our next oil exports.

But the oil price fall will be beneficial for the industrialized world as a whole, and even for the United Kingdom what we gain will be more than offset what we lose on the roundabouts. (Labour laughter and cry of "We are in the foreground now.")

In particular, I expect that the levels of economic activity and inflation will if anything be slightly better than they would have been without the oil price collapse.

TRADE BALANCE

Britain's £90b overseas

And what of the balance of payments?

Thanks to the abolition of exchange controls in 1979, we have been able to use a good part of our earnings from North Sea oil since then to build up a massive stock of overseas assets. (Labour protests and cry of "Jobs overseas.")

Our net overseas assets have in fact risen more than sevenfold from £12 billion at the end of 1979 to almost £90 billion at the end of last year.

EMPLOYMENT

Rigidity of pay system

I have, however, considered whether there is anything further the Government can do to assist this over the longer term.

The problem we face in this context is not the level of pay in relation to productivity, but also the rigidity of the pay system. If the only element of flexibility is in the numbers of people employed, then redundancies are more likely to occur.

One way out of this might be to move to a system in which a significant proportion of an employee's remuneration depends directly on the company's profitability per person employed.

This would not only give the workforce a more direct personal interest in their company's success as existing employee share schemes do, it would also mean that when business is slack companies would be under less pressure to lay men off, and by the same token they would be more likely to take them on.

But there is considerable inertia to overcome. So it might make sense to offer some temporary measure of tax relief to the employees concerned to help get profit sharing agreements of the right kind off the ground and to secure the benefits that would undoubtedly accrue if they really caught on.

Inevitably the design of such a measure and the precise details of qualifying agreements would need to be drawn with considerable care.

The Government therefore proposes to discuss with employers and others to see if a workable scheme can be defined which offers the prospect of a worthwhile and broadly based take-up.

If these preliminary discussions are sufficiently encouraging we would prepare a consultative document setting out a detailed scheme for wider consideration. Meanwhile there is more we can do of an

immediate nature to help the unemployed.

In my Budget last year I announced the Government's intention to launch a new two-year youth training scheme, leading to recognized vocational qualifications. The new and expanded YTS will duly come into operation next month. It will be a giant step towards our objective of ensuring that no youngster under the age of 18 need be unemployed.

I also announced in last year's Budget a substantial expansion of the community programme to help the long-term unemployed - those who have been out of work for over a year or, in the case of those between 18 and 24, for more than six months.

The community programme, which offers work for up to a year of projects of benefit to the community, is currently providing almost 200,000 places.

ANOMALY

Foreigners to be taxed

I also propose to correct an anomaly in the taxation of international entertainers and sportsmen.

When British entertainers or sportsmen work overseas the foreign tax authorities normally levy a withholding tax on their earnings. But at the present time we levy no such tax on the earnings of foreign entertainers and sportsmen when they work in the UK.

I believe that, in future, we should fall into line with most of the rest of the world. Accordingly, I propose to withhold tax at the basic rate on the earnings of overseas entertainers and sportsmen in the UK. This should yield £75 million in 1987-88.

A key element in the Government's strategy for jobs is the encouragement of new business. I have been reviewing the future of the Business Expansion Scheme which is due to come to an end in April 1987.

I have been assisted in this review by the independent report commissioned by the Inland Revenue from the consultants Peat, Marwick, which is being published in full today.

It is quite clear - and this is confirmed by the evidence in the Peat Marwick report - that the Business Expansion Scheme which I introduced in 1983 as an improvement on the 1981 Business Start Up Scheme, has been an outstanding success.

It has fully achieved its aim of attracting new equity capital into unquoted companies.

The amount subscribed has been running at well over £100 million a year, and steadily rising; and a high proportion of this has gone into new and small businesses.

Roughly half the companies involved raised sums of less than £50,000 each.

EXPANSION

Indefinite extension

I therefore have no hesitation in proposing to extend the life of the Business Expansion Scheme, which is due to expire next year, indefinitely.

ENTERPRISE

Two changes worth £45m

I now turn to the taxation of business and enterprise. While the measures I have just announced help the unemployed directly, in the long run what really matters is the creation of a climate in which business and industry flourish. For it is companies, not governments, which create jobs.

The reformed system of business taxation which I introduced in my 1984 Budget has reached the end of its transi-

tional phase and comes fully into force next month.

From then on the United Kingdom will have, at 35 per cent, the lowest rate of corporation tax of any major industrial nation.

This year I have only two further amendments to make. First, I propose to ensure a full measure of depreciation for tax purposes for short life agricultural buildings and works by giving the taxpayer the option of making balancing adjustments on the sale of destruction of such buildings.

Second, I propose to reform the mines and oil wells allowances broadly along the lines of the proposals published in last July's consultative document.

The overall net benefit of this to the industries concerned will amount to £45 million in 1987-88.

Otherwise I propose only minor technical changes to the taxation of North Sea oil. But am continuing to keep the economics of incremental investment under review and shall not hesitate to introduce at the earliest opportunity any changes which may prove necessary to ensure that worthwhile projects are not frustrated by the fiscal regime.

I need to set the 1987-88 car and fuel benefit scale charges for those with company cars.

At the same time the motor industry has represented to me the engine break points in these scales and the break points in the new European Community directive on car exhaust emissions is potentially damaging to its international competitiveness.

Accordingly I propose, from April 1987, to change our break points to those in the new directive.

At the same time, as last year, I propose to increase the (restructured) car benefit scale charges by 10 per cent. This will still leave the scale charges well short of the true value of the benefit.

Th... and of i... target the Business Expansion Scheme more carefully. I propose to improve it. BES shares issued after today will be entirely free of Capital Gains Tax on their first sale. And as a further measure of help for small and new business, the Loan Guarantee Scheme, under which the Government guarantees 70 per cent of qualifying bank loans will also be extended, in this case for a further three years. The House will be glad to learn that the premium will be halved from 5 per cent to 2½ per cent. My last proposal in this section concerns Capital Transfer Tax, which ever since its introduction by the Labour Government in 1974 has been a thorn in the side of those owning and running family businesses, and as such has had a damaging effect on risk-taking and enterprise within a nationally important sector of the economy. In addition to statutory indexation of the threshold and rate bands, I propose this year to reform the tax radically. In essence the Capital Transfer Tax is two taxes, as its separate scales imply: an inheritance tax and a lifetime gifts tax. We have had an inheritance tax in some shape or form ever since Sir William Harcourt introduced his estate duty in 1854. But inheritance tax, which the Labour Government introduced in 1974, in the teeth of united Conservative opposition, was an unworkable and unwarranted imposition. By deterring lifetime giving, it has had the effect of locking in assets, particularly the ownership of family businesses, often to the detriment of the business concerned. Accordingly I propose, from April 1987, to abolish the tax on lifetime gifts to individuals. As with the old estate duty, there will be a tapered charge on gifts made within seven years of death and provisions to charge gifts made with reservation; and the regime for trusts, which is being protected against the death charge, will be kept broadly unchanged. The cost of abolishing the tax on lifetime giving will be £35 million in 1986-87 and £55 million in 1987-88. The radically changed nature of the tax I have decided to renege the Inheritance Tax. SAVINGS Taxation of pensions My two previous Budgets abolished the unnecessary taxes: the National Insurance Surcharge, the Investment Income Surcharge and Development Land Tax. The abolition of the tax on lifetime gifts adds a fourth. I now turn to the taxation of savings and investment. In my 1984 Budget I announced a major reform of the taxation of savings and investment designed to improve the direction and quality of both. Today I propose to carry this reform further. The Social Security Bill now before Parliament proposes important and far-reaching changes in pension provision, notably by encouraging the growth of personal pensions. Those changes - to which the Government attaches the highest importance - have been warmly welcomed, both for the greater freedom they will give to existing pension scheme members and for the millions of working people who are not in an occupational pension scheme. I intend later this year to publish detailed proposals designed to give personal pensions the same favourable tax treatment as is currently enjoyed by retirement annuities. Publication of these proposals will enable there to be the widest possible consultation prior to legislation in next year's Finance Bill. Meanwhile, I can assure the House that I must meet next year, I have no plans to change that favourable tax treatment. But I do need to deal with the growing problem of the rates governing pension funds surplus. The dramatic improvement in the financial climate compared with a decade ago, most notably as a result of the sharp fall in inflation, has seen a massive increase in the value of pension funds. This presents a double problem, both aspects of which the Inland Revenue is at present having to deal with through the exercise of its discretionary powers. In the first place, excessive surpluses, even if they arise unintentionally, represent the misuse of a tax privilege which was intended to assist the provision of pensions and for no other purpose. So the Inland Revenue requires from time to time that surpluses be diminished. But at the same time the Revenue feels obliged to turn down many of the increasing number of requests from companies which, often for good reasons, wish to take refunds from their pension funds into the company itself. The absence of clear rules on how surpluses should and may be dealt with, and the consequent reluctance that has to be placed on the exercise by the Inland Revenue of its discretion, have created a considerable uncertainty and have unnecessarily constrained trustees' freedom of action. I therefore propose to replace these discretionary arrangements with clear and objective statutory provisions. In future, the amount of any surplus in a fund will be determined for tax purposes in accordance with the guidelines, based on a secure funding method and prudent actuarial assumptions, as adopted by the Government Actuary. Where a surplus is 5 per cent or less of total liabilities no action will need to be taken. Where it is higher than that continued on page 27, col 1

Charities helped • Duties increased

PARLIAMENT

Taxes cut

March 18 1986

Thresholds raised and standard rate of income tax cut

Continued from page 26
action will be required to eliminate the excess.
It will be entirely a matter for the trustees and employers to decide whether the reduction is to be achieved by increasing benefits, or reducing contributions, or making a return to the company.

STAMP DUTY

Securities market

I have no change to propose in the Stamp Duty on houses and other property, which I reduced to 1 per cent with a higher threshold, in my 1984 Budget.
The case is a formidable case this year for a further reduction in the rate of Stamp Duty on share transfers.

But competition in financial services nowadays is not confined, but global.
The City revolution now under way, due to culminate with the ending of fixed commissions - the so-called Big Bang - on 27 October, is essential if London is to compete successfully against New York and Tokyo.

And if London cannot win a major share of the global securities market, its present world pre-eminence in other financial services will be threatened.
Successful competition depends on a number of factors, but one of the most important is the level of dealing costs.

The abolition of fixed commissions will certainly help. But with no tax at all on share transactions in New York, and roughly 1.5 per cent in Tokyo, under the existing tax regime London will still be vulnerable.
I therefore propose to reduce Stamp Duty on share transactions from 1 per cent to 0.5 per cent as from the date of the Big Bang.

But I believe it is right that the full cost of this should be met from within the financial sector itself.
Accordingly, I propose to bring into tax at the new 0.5 per cent a range of financial transactions which are at present entirely free of Stamp Duty.

These include transactions in loan stock other than short bonds and gilt-edged securities, and transactions in a single Stock Exchange account.
Letters of Allotment, the purchase by a company of its own shares, and takeovers and mergers.

There will also be a special rate of 5 per cent on the conversion of UK shares into ADRs and other forms of depositary receipt.
Some of these changes, including the new ADR changes, will take effect immediately. Others will be delayed until the Big Bang.

This further halving of the Stamp Duty on equities should enable London to compete successfully in the worldwide securities market.
It will also provide a further flip to wider share ownership in the UK.

Just as we have made Britain a nation of home owners, it is the long-term ambition of the Government to make the British people a nation of share-owners, too; to create a popular capitalism, in which more and more men and women have a direct personal stake in British success and industry.

Both through the rapid growth of employee share schemes, and through the rapid growth of employee share schemes, and through the rapid growth of employee share schemes.

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And I propose to abolish altogether the duties on aviation kerosene, or Avtur - which at present is taxed for domestic flights only - and on most lubricating oils.
All these changes in duty will take effect from six o'clock this evening.

Finally, so far as oil products are concerned, I am anxious to do what I reasonably can to assist the introduction of lead-free petrol.
The case for this on environmental grounds is clear. I have therefore decided to create a duty differential in its favour to offset its higher production costs.

My officials will be discussing with the oil companies how this can best be achieved in time for next year's budget.
The Government is committed to reducing the burden of income tax, and the proposal in the Green Paper suggests one way of doing that which would achieve a number of other worthwhile objectives - including the ability to take more people out of the unemployment and poverty traps for a given amount of tax relief than is possible under the present tax system.

Given the timetable of computerization, none of this could in practice be implemented until the 1990s.
But we need to start planning for the 1990s today. The Government will therefore carefully consider the responses to today's Green Paper before taking any decision on how to proceed.

Meanwhile, I have to set the tax rates and thresholds for the coming year.
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In this country, however, the tax relief on such pensions is set at 50 per cent.

In future, I propose that pensions paid to victims of Nazi persecution should be free of tax altogether.
Second, the House will be aware that, as from next year, social security benefit upratings will be moved to April, to coincide with the tax year.
This will enable them to be fully taken into account before

most successful economies in the world - both overall and specifically in terms of job creation - the United States and Japan, have the lowest level of tax as a proportion of GDP.
Reductions in taxation motivate new businesses and improve incentives at work.
They are a principal engine of the enterprise culture, on which our future prosperity and employment opportunities depend.

The case for higher tax thresholds is well understood. In my two previous Budgets I have raised the married man's allowance to its highest level in real terms since the war, and higher as a proportion of average earnings than in either Germany or the United States.
But we should not overlook the need for reductions in the basic rate of tax, too.
The basic rate is the starting rate of tax.
And it is the crucially important marginal rate of tax for some 95 per cent of all employees and 90 per cent of all self-employed and unincorporated businesses. Clearly, given the

massive fall in oil revenues, this is not a year for substantial reductions in tax of any kind.
But provided the economy continues to grow as it has been, and provided we continue to maintain firm control of public expenditure, the scope should be there in the years ahead (Labour laughter).

Meanwhile, I propose for 1986-87 to raise all the main thresholds and allowances by the statutory indexation figure of 5.7 per cent, rounded up.
The single person's allowance will therefore rise by £130 to £2,335 and the married man's allowance by £200 to £3,655.
Similarly, the single age allowance will rise by £160 to £2,850 and the married age allowance by £250 to £4,505.
The age allowance income limit becomes £9,400.

I propose to raise all the higher thresholds and allowances by £1,000.
This is fully in line with statutory indexation for the first - 40 per cent - higher rate, but less than half statutory indexation for the top - 60 per cent - rate.
Given the need for caution in the light of current circumstances, I do not have the scope this year for a reduction in the basic rate of income tax, beyond one penny in the pound. (Conservative cheers and laughter).

But this reduction from 30 per cent to 29 per cent still represents the first cut in the basic rate of income tax since my predecessor took it down from 33 per cent to 30 per cent in 1979.
So long as this Government remains in office, it will not be the last.
There will, of course, be a consequential reduction in the rate of Advance Corporation Tax.
And I also propose a corresponding cut in the small companies' rate of Corporation Tax from 30 per cent to 29 per cent.

The combined effect of the various income tax changes I have just announced is to concentrate the benefit, modest as I readily concede it is, on the 20 per cent but on the great majority of ordinary taxpayers.
As a result of the adjustments I have made to the higher rate thresholds, the gain for those at the top of the income scale is reduced, but confined to what they would have received under simple indexation alone.
By contrast, the married man on average earnings will see an improvement of £145 a week over the £145 a week of simple indexation.

The income tax changes I have announced today will take effect under PAYE on the first pay day after May 17, they will cost £935 million in 1986-87, over an above the cost of statutory indexation.
PROSPECTS
Target of 25% income tax
Seven years ago, when my predecessor cut the basic rate of income tax from 33 per cent to 30 per cent, he added: "Our long-term aim should surely be to reduce the basic rate of income tax to no more than 25 per cent" (Conservative cheers).
I share that aim.

In this Budget, I have reaffirmed the prudent policies that have brought us three successive years of steady growth with low inflation, and the prospect of a fourth ahead of us.
I have described how we can take in our stride the dramatic collapse in the oil price, and benefit from its consequences.
In collaboration with the Secretary of State for Employment, I have announced a further substantial range of measures to help the unemployed.

I have proposed a radical and far-reaching new scheme for tax-free investment in equities, so that we may truly become a share-owning democracy, and abolished a fourth tax.
I have announced the most substantial package of assistance to charitable giving ever, and cut the basic rate of income tax.
Building as it does on the achievements of the recent past, this Budget is a safeguard for the present and a springboard for the future.
I commend it to the House.

He believed there was scope in the next year for the Government to spend more money on stimulating jobs. If there was money in the contingency fund it should be used to create jobs.
There was much that he liked in this Budget but an element of concentration on getting jobs was still missing from it.
He was surprised that the Chancellor had cut the standard rate of income tax instead of putting up the thresholds to take more people out of tax.

He gave an unqualified welcome to the personal investment plan, and would want to give it a fair wind.
Mr David Keox (Staffordshire, Moorlands, C) said he would have preferred the Chancellor had not reduced the standard rate of income tax, but to have concentrated all the relief on thresholds. The reduction in the standard rate of income tax was so small it was unlikely to have any incentive effect.
A year ago the Chancellor had introduced what he called a Budget for jobs. It was not unfair to say his expectations had not been fulfilled. Unemployment had continued to rise. The measures announced today would at best stabilize and at worst cause unemployment to rise. Unemployment had continued to worsen every year and this could not be allowed to continue. He did not believe the present level of inflation was necessary or inevitable.
The Chancellor should have taken very strong action to raise the level of demand and so the level of activity. But to have introduced a substantial programme of public expenditure on the infrastructure.

Mr Roy Hughes (Newport East, Lab) said there were some good things in the Budget, although they had been few and far between.
He welcomed the relief on charities, but it was essential to define what was a bona fide charity. He would not like to think of Eton benefiting from those proposals.
As for petrol, the oil companies should be brought into line to see that prices at the pump did not rise.
The measures to tackle unemployment were puny and would only scratch the surface

MARRIED WOMEN

Green Paper on taxation

Married women increasingly resent the fact that a wife's income is treated for tax purposes as that of her husband, depriving her of the independence and privacy she has a right to expect.

There is growing complaint, too, of the way in which, in a number of respects, the present system penalises marriage itself.
And it cannot be right that the tax system should come down harshest on a married couple just at the time when the wife stops work to start a family (Conservative cheers).

Yet that is what happens today.
The alternative system set out in the Green Paper, of independent taxation with allowances transferable between husband and wife, would remedy all these defects. To be acceptable, however, it would need to be accompanied by a substantial increase in the basic tax threshold.

The Government is committed to reducing the burden of income tax, and the proposal in the Green Paper suggests one way of doing that which would achieve a number of other worthwhile objectives - including the ability to take more people out of the unemployment and poverty traps for a given amount of tax relief than is possible under the present tax system.

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massive fall in oil revenues, this is not a year for substantial reductions in tax of any kind.
But provided the economy continues to grow as it has been, and provided we continue to maintain firm control of public expenditure, the scope should be there in the years ahead (Labour laughter).

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PAYE codes are issued for 1987-88.

However, to bridge the gap between the November 1985 and April 1987, uprating the Secretary of State for Social Services (Mr Norman Fowler) proposes to have a special transitional uprating in July, the details of which he has recently announced.

But as Members will know from their postbags, it could be confusing for many old-age pensioners and widows to undergo a special mid-year tax recoding on account of the July uprating.

I have therefore decided that, for pensioners and widows, the benefit increases payable in July will be exempt from income tax in 1986-87. (Conservative cheers). The cost of this will be £15 million.

Since we first took office in 1979, we have cut the basic rate of income tax from 33 per cent to 30 per cent and sharply reduced the penal higher rates we inherited from Labour.
We have increased the main tax thresholds by some 20 per cent more than inflation, and the greater part of that 20 per cent has been achieved during the present Parliament (Labour cry of "What about jobs?").

The Government is committed to reducing the burden of income tax, and the proposal in the Green Paper suggests one way of doing that which would achieve a number of other worthwhile objectives - including the ability to take more people out of the unemployment and poverty traps for a given amount of tax relief than is possible under the present tax system.

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Meanwhile, I propose for 1986-87 to raise all the main thresholds and allowances by the statutory indexation figure of 5.7 per cent, rounded up.
The single person's allowance will therefore rise by £130 to £2,335 and the married man's allowance by £200 to £3,655.
Similarly, the single age allowance will rise by £160 to £2,850 and the married age allowance by £250 to £4,505.
The age allowance income limit becomes £9,400.

I propose to raise all the higher thresholds and allowances by £1,000.
This is fully in line with statutory indexation for the first - 40 per cent - higher rate, but less than half statutory indexation for the top - 60 per cent - rate.
Given the need for caution in the light of current circumstances, I do not have the scope this year for a reduction in the basic rate of income tax, beyond one penny in the pound. (Conservative cheers and laughter).

But this reduction from 30 per cent to 29 per cent still represents the first cut in the basic rate of income tax since my predecessor took it down from 33 per cent to 30 per cent in 1979.
So long as this Government remains in office, it will not be the last.
There will, of course, be a consequential reduction in the rate of Advance Corporation Tax.
And I also propose a corresponding cut in the small companies' rate of Corporation Tax from 30 per cent to 29 per cent.

The combined effect of the various income tax changes I have just announced is to concentrate the benefit, modest as I readily concede it is, on the 20 per cent but on the great majority of ordinary taxpayers.
As a result of the adjustments I have made to the higher rate thresholds, the gain for those at the top of the income scale is reduced, but confined to what they would have received under simple indexation alone.
By contrast, the married man on average earnings will see an improvement of £145 a week over the £145 a week of simple indexation.

The income tax changes I have announced today will take effect under PAYE on the first pay day after May 17, they will cost £935 million in 1986-87, over an above the cost of statutory indexation.

PROSPECTS
Target of 25% income tax
Seven years ago, when my predecessor cut the basic rate of income tax from 33 per cent to 30 per cent, he added: "Our long-term aim should surely be to reduce the basic rate of income tax to no more than 25 per cent" (Conservative cheers).
I share that aim.

In this Budget, I have reaffirmed the prudent policies that have brought us three successive years of steady growth with low inflation, and the prospect of a fourth ahead of us.
I have described how we can take in our stride the dramatic collapse in the oil price, and benefit from its consequences.
In collaboration with the Secretary of State for Employment, I have announced a further substantial range of measures to help the unemployed.

I have proposed a radical and far-reaching new scheme for tax-free investment in equities, so that we may truly become a share-owning democracy, and abolished a fourth tax.
I have announced the most substantial package of assistance to charitable giving ever, and cut the basic rate of income tax.
Building as it does on the achievements of the recent past, this Budget is a safeguard for the present and a springboard for the future.
I commend it to the House.

He believed there was scope in the next year for the Government to spend more money on stimulating jobs. If there was money in the contingency fund it should be used to create jobs.
There was much that he liked in this Budget but an element of concentration on getting jobs was still missing from it.
He was surprised that the Chancellor had cut the standard rate of income tax instead of putting up the thresholds to take more people out of tax.

He gave an unqualified welcome to the personal investment plan, and would want to give it a fair wind.
Mr David Keox (Staffordshire, Moorlands, C) said he would have preferred the Chancellor had not reduced the standard rate of income tax, but to have concentrated all the relief on thresholds. The reduction in the standard rate of income tax was so small it was unlikely to have any incentive effect.
A year ago the Chancellor had introduced what he called a Budget for jobs. It was not unfair to say his expectations had not been fulfilled. Unemployment had continued to rise. The measures announced today would at best stabilize and at worst cause unemployment to rise. Unemployment had continued to worsen every year and this could not be allowed to continue. He did not believe the present level of inflation was necessary or inevitable.
The Chancellor should have taken very strong action to raise the level of demand and so the level of activity. But to have introduced a substantial programme of public expenditure on the infrastructure.

Mr Roy Hughes (Newport East, Lab) said there were some good things in the Budget, although they had been few and far between.
He welcomed the relief on charities, but it was essential to define what was a bona fide charity. He would not like to think of Eton benefiting from those proposals.
As for petrol, the oil companies should be brought into line to see that prices at the pump did not rise.
The measures to tackle unemployment were puny and would only scratch the surface

Wasted years: Chancellor in jam

KINNOCK

Mr Neil Kinnock, Leader of the Opposition, reacting to Chancellor's statement, said that this was to have been a bride's budget: the beginning of the process of tax cuts towards the next general election.
Instead of that the fall in oil prices and revenues made it instead a bits and pieces Budget: a Budget of promises, of some scope next year. Jam tomorrow from a Chancellor who was clearly in a jam today. (Conservative interruptions).

He said the Opposition did welcome some changes, such as the business expansion scheme and tax relief for those who had suffered Nazi persecution. Also the concession for charities, although it would be wrong if suspect bodies gained any advantage.

Turning to petrol pump prices, he said he also hoped they would at least stay the same. Hopefully they should fall because of the advantages to the oil companies.
Among the matters of criticism, the abolition of gift tax stood out as a hand-out to the rich.

The fact (he went on) that the promotion of redevelopment and renovation of our economy is not central yet again makes this a sideshow Budget: an exercise in taxation generally. It is unrelated to the main problems of employment and development.

We must be grateful that the Chancellor did not describe his new Budget as another Budget for jobs. I suppose he has learnt from last year.
He said total unemployment had risen by 700,000 in the past year and so he could not be expected to cheer the small additional sums going to the community programme. The help for job clubs was really more of a taunt.

This Budget offered nothing for the poor.
So far as that 1p reduction in the basic rate of tax was concerned, Mr Lawson had only to reduce it by another 5p to get taxation down to the level of burden it was in 1979. The same flatheartedness with which the Chancellor attacked the question of trying to wage war on poverty characterized his approach to the City.

In all of those areas - poverty, jobs, the approach to the City and those who now enjoy the benefits of great wealth - the Chancellor had seen the need for action and then backed off from a Government which over the past seven years had worn



Kinnock: Rake's Progress financed by oil

doing anything effective.
That made it a fudge-it Budget away the industrial base of the nation and wasted huge amounts of wealth in a Rake's Progress financed by oil revenue.

They have (he went on) blown the oil wealth completely and have next to nothing to show for it - in some respects less than nothing to show for it.

These had been the wasted years, the lost years. These were the years which the Prime Minister last Saturday, with unconscious and untypical accuracy, described as the years in which great holes had been dug which have not only undermined the structure of society but, even worse, undermined the self-confidence of hundreds of thousands, indeed millions of people.

The previous Chancellor began the Government's period of office with his first Budget which he described as "the Budget for a new beginning".
Six years and nine months (he said) from beginning to beginning that was the story of this Government. Still they say "There is no alternative". Hardly anybody believes that now.

There must be strategic answers to strategic problems which now beset our nation (he said). Now the answers have been forthcoming in this Budget.

Any prudent and responsible government would be fighting unemployment as an economic and social evil instead of using unemployment as an economic social weapon.

The failure to make an effective constructive response was a dereliction of duty and the Opposition would punish that dereliction of duty by defeating the Government at the next General Election.

Varying reactions from back benches

REACTIONS

Mr Richard Wainwright (Colne Valley, L) said the speech was interesting in that an elegant performance of a busker playing to a long-suffering crowd of taxpayers and unemployed who had now been told the show would not open until March 1987. The busker, although it had some sparkle, was decidedly complacent.

What use was it to tell the unemployed that the basic rate of income tax would be reduced? Who had the check to tell them they could invest in a special personal investment plan? What use was it to tell them their gifts to charity would no longer suffer capital transfer tax?

The Chancellor had failed to do anything about national insurance. What could be a bigger snub to the unemployed than to tell them that this tax on anybody who wanted to take them on was going to remain wholly unchanged?

The thresholds for tax remained disgracefully low. The Liberals, with their emphasis on redistributing wealth, must be aghast at the cancellation of the gifts tax without putting anything in its place. Abolishing the gifts tax was an appalling step back to the Victorian times and the Liberals would strenuously oppose it.

He gave an unqualified welcome to the personal investment plan, and would want to give it a fair wind.
Mr David Keox (Staffordshire, Moorlands, C) said he would have preferred the Chancellor had not reduced the standard rate of income tax, but to have concentrated all the relief on thresholds. The reduction in the standard rate of income tax was so small it was unlikely to have any incentive effect.

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Lewis: Surprises



Knox: Thresholds



Hughes: Good things



Wainwright: Complacent

CHARITIES

Concessions this year

I now turn to the tax treatment of charities and charitable giving.
In almost every field of the economy, it becomes increasingly clear that private action is more effective than state action.
This is particularly well illustrated by the success of charitable organisations up and down the country in the fields of famine relief, social welfare, medicine, education (including the universities), the arts and the heritage.

This Government has already done a great deal to assist charities, both through the tax system and in other ways. I believe the time has come to take a further step forward.

PROSPECTS

Big growth forecast for home and export areas

By David Smith, Economics Correspondent

There were further sizeable increases in both exports and business investment in 1985. For the forecast period, substantial growth is likely not only in most areas of domestic spending but also in exports. Total domestic production and manufacturing output are both expected to record further growth of some 2½-3 per cent.

Employment has continued to rise, with more than 200,000 extra jobs in the year to September 1985. In spite of this, there has been some further rise in unemployment over the last year. However, the labour force is now expected to grow less rapidly, and prospects for unemployment are better than for some years.

After rising in the early months of 1985, inflation has been on a downward path since June, and in January 1986 the RPI increase over the previous year was 5½ per cent. The inflation rate is expected to fall quite sharply over the coming months and is forecast to be 3½ per cent in the fourth quarter of 1986.

The UK forecast is based on the assumption that fiscal and monetary policies are set within the framework of the MTF5. Oil prices, both North Sea and world, are assumed to average \$15 per barrel for the rest of 1986. Neither the sterling/dollar exchange rate is expected to change much.

Output in the world economy has been rising since early 1983, and inflation has been coming down since 1980. Assisted by further moves to lower interest rates, a period of low inflation and good growth in output and trade is anticipated. Many of the problems arising from payments imbalances and debt repayments will remain. But the benefits to trade, output and inflation from the fall in oil prices should prove substantial.

Exports have grown strongly over the last two years. The current account of the balance of payments is expected to remain in sizeable surplus despite the big fall in oil prices. Offsets include higher export earnings on other goods, lower profits earned by foreign oil companies in the North Sea, and higher earnings from the UK's stock of overseas assets.

After a spurt in 1983 and the first half of 1984, US economic growth has slowed down sharply. By the final quarter of 1985 real GNP was 2½ per cent higher than a year earlier. The performance of the United States economy has strongly influenced the pattern of economic growth in other major industrialized countries. In Japan and Germany, in particular, output grew significantly faster than domestic demand in both 1984 and 1985, thanks to the substantial external contribution to demand, stemming in large part from the US. More recently the recovery in Europe has strengthened and growth has become less dependent on exports to the US. In Japan, growth has shown some signs of slackening, although remaining high by European standards.

Domestic demand is now growing at similar rates in the US and other major industrialized countries. But the effect of much faster growth between 1982 and 1984 in the US, together with the effects of the rise - still only partially reversed - in the dollar, are seen in the pattern of current account balances: a large deficit in the US and large surpluses in Germany and Japan. However, there have been a number of helpful steps towards reducing these imbalances over the past

year. Slower growth in the US has not only reduced the increase in US imports, but also contributed to lower interest rates and a fall in the dollar. The latter was helped by the Plaza Agreement of September 22, 1985 between the Finance Ministers of the Group of Five.

The rate of world inflation fell further in 1985: consumer prices in the major industrialized countries increased on average by about 4 per cent, compared with over 4½ per cent in 1984. This has been associated with a continuing weakness in primary product prices.

Since November 1985, oil prices have fallen sharply. Before the first oil price shock the non-communist world demand for oil was around 48 million barrels per day, and about 30 mbd of this was produced by OPEC members. Despite the 1973-74 increase in oil prices OPEC managed to maintain roughly this level of production throughout the 1970s. After falling in 1974 and 1975, total demand for oil rose again during the rest of the decade, while non-OPEC supply grew by roughly the same amount in absolute terms.

Experience since the second sharp increase in oil prices in 1979 has been very different. Demand for oil has fallen and non-OPEC supplies have continued to rise steadily. OPEC's pricing policy made it effectively the residual source of supply, and demand for OPEC oil nearly halved: from about 31½ mbd in 1979 to less than 17½ mbd on average in 1985. Saudi Arabia's production fell particularly sharply.

Total demand and supply for oil may respond only gradually even to the large fall in price, and so excess capacity is likely to be present for some time. This forecast assumes that prices will average \$15 per barrel for the rest of 1986 and throughout 1987 - rather below, in real terms, the level between 1974 and 1979.

The prices of most other primary products are also

unlikely to strengthen significantly over the next year or so, since with some exceptions (for example a temporary shortfall in the coffee crop), supplies are abundant and stock relatively high. The industrial countries can therefore expect further improvements in their terms of trade, raising real incomes and enabling inflation to fall further.

The growth of real GNP in the US should pick up in 1986, benefiting from lower oil prices and from the effect of the lower dollar on trade. Consumers' expenditure, while growing more slowly than in recent years, should be helped by the lagged effects of lower interest rates and rises in asset prices.

Growth in Japan may be weaker than usual in 1986 as the expansion of domestic demand may not be sufficient to compensate for a slowdown in the growth of exports. In most European countries the economic recovery should strengthen in 1986, with the rate of growth increasing, particularly in Germany.

This picture of world activity is reflected in the pattern of world trade growth. Import growth is likely to be strongest in oil-importing countries and where exchange rates have appreciated most over the past year. This points to rapid growth of imports into Europe, Japan and many developing countries, but to large falls in oil producers' imports.

Overall import growth in 1986 should be well above that of 1985. The dollar has declined substantially (by over 20 per cent against a basket of other currencies) since its peak in early 1985. In 1985, as a whole, the sterling index was little different from 1984. There were however some sizeable swings during the course of the year. The index rose from a low point of 70½ in January to a high of 84½ in July before declining to 78 in December. The index declined further in the opening months of this year, as oil prices fell. Over the past year

sterling has risen by about 30 per cent against the dollar, but fallen against most other currencies. The forecast assumes that sterling will not change much, either in dollar or effective terms.

Short-term interest rates fell during much of 1985 from the peak levels reached in February and March. They rose again in January this year as sterling weakened but in 1986, so far, they have been a little below levels on a year earlier. However, on average in 1985-86 short rates, at 12 per cent, have been a point or so above the levels of 1984-85 and several points above levels in the US and most other industrialized countries. Long rates have been much more stable.

Yields on 20 year gilts have been within 10-11 per cent range for almost all of the last three years, but they have recently fallen below 10 per cent for the first time since 1973. Real yields on index linked gilts have also been relatively stable.

M0 was near the centre of its target range in the early months of 1985-86, but growth slowed during the course of the year, mainly in response to the increase in interest rates last winter. In recent months M0 growth has generally been just above the bottom of its target range. The annual increase in M0 velocity has been relatively stable for many years now.

Growth in the non-interest bearing component of M1, 3 per cent over the last year, has also slowed. This has been in response to higher interest rates and the increased availability of high interest cheque accounts which are in M1, contributing to an acceleration on M1 in total.

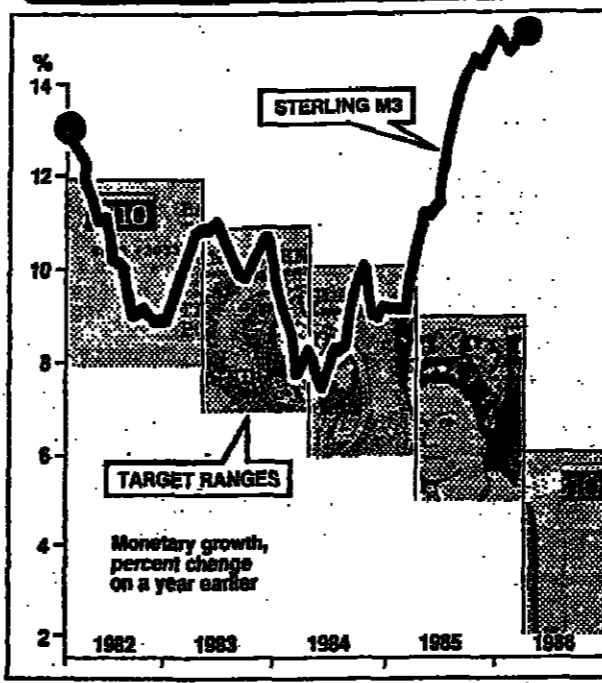
The rate of growth of EM3 has risen during the course of 1985-86 and has been well above both the target range set in 1985 MTF5 and the growth of money GDP. With the funding objective now set at the level needed to cover the PSBR, EM3 growth, at 14.5 per cent on a year earlier in recent months, has reflected a continued strong expansion of bank credit. Other broad aggregates have grown at much the same rate.

The last two to three years as a whole have exhibited relatively little change in most measures of cost and price competitiveness, although there have been large short-term swings associated with movements in the nominal exchange rate.

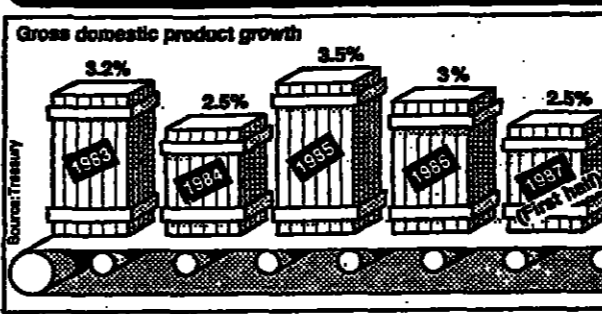
Between 1982 and 1985 the growth in demand for manufactures (5½ per cent at an annual rate) has been shared by importers and domestic producers, with importers continuing to increase their share. Domestic demand for manufactures is expected to grow in 1986, because of further growth in investment and expenditure on consumer durables in particular. Growth in imports of manufactures in 1986 is forecast to be over 7 per cent, twice as fast as domestic demand growth, a relationship similar to that between 1982 and 1985.

The prospect is for a substantial fall in the surplus on trade in oil in 1986 as a result of lower oil prices, partly offset in the current account as a whole by reduced invisible earnings of foreign-owned companies operating in the North Sea. Little change in oil production is expected and domestic demand for oil may be below the 1985 level which was boosted by the coal strike. The surplus on trade in services has more than doubled since 1982. 1985 was an exceptionally good year, with large gains in earnings from financial services, tourism and travel.

MONEY SUPPLY



OUTPUT



OUTPUT PER HEAD

	Employed labour force (millions)	% changes in output per head (annual averages)			
	1984	1984-78	1973-79	1979-85	
Manufacturing	5.5	3.75	0.75	3.5	
Non-manufacturing*	13.5	3.0	0.5	1.0	

* Excludes public services and oil. Includes nationalized industries except steel.

LOOKING AHEAD

Long term aim of faster growth

The Chancellor's measures, aimed clearly at boosting enterprise, wider share ownership and incentives, make up a "supply-side" Budget. The tax changes are intended to make the economy grow at a faster pace over the long term, while the Government's medium term financial strategy has been restated, to maintain the downward pressure on inflation.

The major Budget surprise was Mr Lawson's ability to introduce a 1p reduction in the basic rate of income tax from 30p to 29p in the pound while at the same time cutting his target for public sector borrowing in 1986/87 from £7.5 billion to £7 billion.

This was in spite of a £5.5 billion loss of oil tax revenues over previous plans. North Sea revenues next year are now targeted at £6 billion, compared with an original forecast, a year ago, of £11.5 billion.

The Chancellor has been able to achieve this by predicting stronger growth in the economy, with growth of 3 per cent this year, and a much higher take from non-oil taxes, as a result. Over the next financial year, these are expected to be £2.5 billion higher than was expected a year ago.

The cut in the basic rate of tax, the first since 1979, was accompanied by a revival of the target to cut the rate to 25 per cent in the pound. Treasury plans show that the Chancellor is likely to have £2 billion to give away next year, and £4 billion in the Spring of 1988, which could be the pre-election Budget if the Government stays in office for its full term.

Higher rates of income tax were left unchanged, but tax allowances and thresholds, generally raised in line with inflation, were lifted by a uniform £1,000 at the top end of the tax scale. For higher rate bands, this means a rise of less than inflation.

The changes in excise duties broadly offset one another, with real increases in the duty on petrol and tobacco, offset by the decision to leave duties

FINANCIAL STRATEGY

Growth combined with low inflation for price stability

By David Smith, Economics Correspondent

The Medium Term Financial Strategy provides the framework for economic policy, as it has since 1980. It is intended to bring inflation down further over a period of years, and ultimately to achieve price stability.

It is complemented by policies which encourage enterprise, efficiency and flexibility, promoting the growth of output and the creation of jobs.

Economic policy is set in a nominal framework in which public expenditure is controlled in cash terms and the growth of money GDP (gross domestic product in money terms) is gradually reduced by monetary and fiscal policy.

As the growth of money GDP declines, inflation is squeezed out, and the division of money GDP growth between output growth and inflation is improved.

Inflation has come down to about 5 per cent and is set to fall further. The economy is about to embark on its sixth successive year of growth. For the first time since the 1960s, steady growth is now being combined with low inflation.

Policy will be directed at maintaining monetary conditions that will bring about a gradual reduction in the growth of money GDP over the medium term.

While the money GDP figures are not targets, and fluctuations will occur, the aim will be to avoid substantial departures in either direction in the medium term. This is consistent with both a further reduction in inflation and continued growth in real output at a sustainable rate.

The growth of money GDP in 1986-87 is expected to be slightly higher than assumed last year. Partly as a consequence of the sharp fall in oil prices, output growth is higher and inflation lower. In the later years, money GDP growth declines further. The path allows for higher growth of productive potential and a slower decline in oil production than was assumed last year.

While firm monetary policies must be supported by low public sector borrowing in the medium term, there is some scope for varying the balance between fiscal and monetary policy, especially in the short term.

In practice, the Budget provides the main opportunity to review fiscal policy, while short-term interest rates can be varied more frequently to keep monetary conditions on track.

Until recently, the authorities also sought to control the growth of broad money and liquidity by overfunding - that is, selling more debt that is needed to fund the PSBR (public sector borrowing requirement).

This was generally seen as a distortion of financial markets, and it was reflected in the rising stock of commercial bills held by the Bank of England.

On the view that systematic overfunding was neither sustainable nor an effective medium-term means of affecting monetary conditions, the Chancellor announced in October 1985 that sales of debt outside the banking system in any financial year would be limited to the amount needed to fund the PSBR, and that policy action within the year to influence monetary conditions would take the form of changing short-term interest rates.

Monetary conditions are assessed in the light of movements in narrow and broad money and the behaviour of other financial indicators, in particular the exchange rate. Ideally, the target aggregate for narrow money should reflect those (principally not-interest bearing) assets that are used directly for making transactions. It should respond unambiguously, but not be over-sensitive, to interest rate changes, and should have a stable relationship with money GDP. In practice, however, there is no single measure of narrow money that meets all these criteria.

Narrow money M0 covers only a small range of transaction balances. It has however demonstrated a relatively stable velocity trend over a long period and it responds in an unambiguous manner to changes in interest rates.

Its velocity has risen as institutional change and technological developments have led to a progressive reduction in the use of cash, but this has been occurring at a fairly steady and predictable pace. M0 has proved a good indicator of monetary conditions in recent years and remains the best choice of narrow aggregate for target purposes.

created the relative attractiveness of financial assets, and financial liberalization and increased competition between banks and building societies have led to a rapid build-up of both liquidity and debt.

Yet this has proved consistent with a decline in both inflation and money GDP growth. At the same time, the high proportion of interest-bearing deposits within broad money has meant that the immediate response of broad liquidity aggregates to changes in short-term interest rates is highly uncertain.

In implementing policy and in making decisions about short-term interest rates, the Government has to make a careful assessment of the behaviour of the monetary aggregates in relation to their targets, together with other relevant evidence, especially the exchange rate.

There is no mechanical formula for taking the exchange rate into account in assessing monetary conditions; a balance must be struck between the exchange rate and domestic monetary growth consistent with the Government's aims for money GDP and inflation.

If the underlying growth in M0 or EM3 were to move significantly outside their target ranges, the Government would take action on interest rates unless other indicators suggested clearly that monetary conditions remained satisfactory.

Experience has shown that a change in short-term rates is unlikely to alter the growth of EM3 significantly within the target period. But such action clearly affects the tightness of monetary conditions, which is what matters, and this would be likely to show up in the behaviour of M0 and the exchange rate.

The PSBR in 1985-86 is expected to be about 2 per cent of GDP, in line with last year's projection. This comes after four years when the PSBR remained at about 3½ per cent of GDP. The sharp reduction this year would have taken place in 1984-85 but for the second significant, downward step since the MTF5 began in 1980.

The PSBR for 1986-87 is set at £7 billion, or 1¼ per cent of GDP, slightly below the level indicated in last year's MTF5. North Sea revenues are projected to decline steeply in 1986-87 to about £6 billion, roughly half their level in 1985-86.

The proceeds of the Government's privatization programme are expected to rise from £2.5 billion in 1986-86 to £4.75 billion in 1986-87, as set out in the Autumn Statement.

A further slight reduction in PSBR to 1½ per cent of GDP is projected for 1988-89 and 1989-90.

Oil prices are assumed to average \$15 a barrel for the rest of 1986 and throughout 1987, and thereafter to remain broadly unchanged in real terms. It is assumed that there is no big change in either the sterling/dollar exchange rate from year to year or the rate from year to year.

Continued restraint in public spending plays a vital role in the Government's economic strategy. The cash planning totals set by the Government in the White Paper are designed to hold total spending broadly level in real terms.

As a proportion of GDP, general government expenditure has fallen significantly from its peak of more than 46 per cent in 1982-83. Given the assumed growth of output, it is projected to decline further to 44 per cent in 1985-86 to less than 40 per cent in 1989-90. This will enable a continued low level of borrowing to be combined with reductions in the burden of taxation, so improving motivation, efficiency and employment.

The growth in government revenues in cash terms over the medium term will depend on the growth of incomes, spending and prices, as well as on policy decision. On the unchanged policy assumptions set out above, general government receipts are expected to increase somewhat less than money GDP.

Government revenues from the North Sea are projected to fall sharply in 1986-87 from the peak levels of 1984-85 and 1985-86, mainly because of the drop in oil prices.

Events at home and abroad may modify some of the assumptions on which the projections have been based. But the Government is committed to maintaining the progress to lower inflation in the medium term, secured by appropriate financial policies.

The MTF5 provides the framework within which the Government will pursue its economic policy. It provides as firm a guarantee against inadequate money demand as it does against excessive money demand.

Short-term economic prospects

	forecast	Average errors from past
A. Output and expenditure at constant 1980 prices		
Domestic demand of which:		
Consumers' expenditure	3½	1
General government consumption	4	1
Fixed investment	5	2
Change in stockbuilding (as per cent of level of GDP)	0	¾
Exports of goods and services	5	2½
Imports of goods and services	6	3
Gross domestic product: total manufacturing	3	2
B. Inflation		
Retail prices index	% changes	
1985Q4 to 1986Q4	3½	1½
1986Q2 to 1987Q2	3½	2½
Deflator for GDP at market prices	% changes on year ago	
Financial year 1985-86	6	1
Financial year 1986-87	3½	2
C. Money GDP at market prices		
Financial year 1985-86	9½	1½
Financial year 1986-87	6½	1½
D. Balance of payments-current account		
1986	£2 billion	2½
1987 first half (at an annual rate)	1½	3
E. PSBR		
Financial year 1985-86	£2 billion	1½
Financial year 1986-87	7(1½)	5(1½)

The errors relate to the average difference between the forecast and the actual figures. The method of calculating these errors has been explained in earlier publications and government forecasts (see Economic Progress Report June 1981). The calculations of average errors are based on forecasts made between 1976 and 1984. The errors are after adjustment for the effects of major changes in fiscal policy which are included from the forecasts.

Growth of the money supply and money GDP*

	1985-86	1986-87	1987-88	1988-89	1989-90
Money GDP	9½(8½)	6½	6½	6	5½
M0	3½	2-6	2-6	1-5	1-5
EM3	14½	11-15			

* The money GDP figure for 1986-87 is a forecast; and in subsequent years the figures are assumptions.

WORLD RECOVERY

Halving of oil prices will give boost to exports

By David Smith, Economics Correspondent

World economic prospects have been very substantially improved by the halving of world oil prices in the past few weeks, according to the Chancellor.

The overall effect of the oil price cut on the British economy is likely to be broadly neutral, but exporters, particularly of manufactured goods, will benefit from faster growth in world markets.

The Treasury's forecasts are for a 3 per cent growth this year, a slight upward revision on previous predictions, together with a drop in the inflation rate to 3.5 per cent, a shading down from the autumn forecast of a drop to 3.75 per cent by the end of 1986.

The current account of the balance of payments is expected to improve on last year. The Treasury expects a surplus of £3.5 billion, compared with last year's £3 billion surplus, in spite of the sharp drop in oil prices.

The big economic policy surprise of the Budget was the Chancellor's announcement of a lower target for the public sector borrowing requirement in 1986/87, in spite of a near halving of North Sea revenues, now forecast at £6 billion in the next financial year, compared with an original £11.5 billion forecast.

Despite this Mr Lawson has revised down the 1986/87 PSBR target from £7.5 billion to £7 billion, or 1.75 per cent of gross domestic product. In the first 11 months of 1985/86 the PSBR, on figures released yesterday, was £2.8 billion.

The fall in the PSBR this year has been the sharpest since 1981/82, the Chancellor said. He cited the reasons for this as tight control of public spending, with an expected fall in real terms even after allowing for the coal strike, and the buoyancy of non-oil tax revenues in spite of a £2 billion dip in North Sea

World Economy

	Per cent changes on a year earlier			
	1984	1985	1986	1987 first half
GNP in Major 7 Countries*	4½	2½	3½	4
Consumer Prices in Major 7 Countries*	4½	4	2½	1½
World imports	10	3	5½	5½
World trade in manufactures (UK weighted)	8½	4½	5	5

* USA, Canada, Japan, France, Germany, Italy and UK.

revenues from the original £13.5 billion forecast. In restating the medium term financial strategy, the Chancellor left his target for narrow money, M0, unchanged, with a 2 to 6 per cent target range set for the next 12 months, as in previous plans.

However, as a result of financial innovation and the increased attractiveness of interest-bearing assets in a period of declining inflation, the Chancellor has sharply revised his target for broad money, sterling M3.

The original 1986/87 target for sterling M3, of 4 to 8 per cent, has been revised up to 11 to 15 per cent. In the 12 months to the February banking month, sterling M3 growth was 14.75 per cent.

The abandonment of overfunding the PSBR to control broad money growth, announced last October, is permanent. Interest rates will be the weapon of monetary control.

The economic recovery, a post-war record in terms of duration, began in the second

quarter of 1981, admittedly from a low base. Since that low point, the underlying rate of growth of gross domestic product has been about 2.5 per cent, a figure that has been subject to some distortion, most recently by the effects of the miners' strike in shifting growth from 1984/85 to 1985/86.

The rate of inflation, which averaged 18.1 per cent as recently as 1980 and touched 22 per cent that year, fell rapidly to 3.7 per cent by May 1983, just before the last general election.

Since then, progress towards lower inflation has been slow. The sharp fall in the pound in the winter of 1984/85 pushed inflation to 7 per cent by last May.

The rate has since come down, after a period of remarkable stability for the retail prices index, to 5.5 per cent in January, with the sharp fall in oil prices providing a clear indication that, in a less inflationary world environ-

ment, further downward progress is likely. The Government's economic policies have been in a state of flux since the 1983 election. The Chancellor has sought to replace the earlier, dogmatic version of policy, with its heavy reliance on the sterling M3 measure of money supply and the public sector borrowing requirement, with a more pragmatic but nevertheless financially prudent approach.

Last October, Mr Lawson announced that he was suspending the target for sterling M3, a move interpreted as a sign of a return to the old emphasis of monetary policy, ensuring a stable exchange rate.

The Treasury has been examining alternative broad money measures, and entry to the European Monetary System remains a live issue.

The Government has been generally unsuccessful in controlling the sterling M3 measure of money supply

IN BRIEF

S R Gent profits plummet

S R Gent, suppliers of women's dresses to Marks and Spencer, has announced interim pretax profits sharply down from £901,000 to £23,000 for the six months to December 31.

Turnover was up 6.7 per cent to £43.9 million, suggesting that Marks and Spencer, which accounts for approximately 90 per cent of Gent's turnover, has maintained its volumes.

However, it is clear that margins are being squeezed increasingly as Marks and Spencer is still suffering from the effects of unseasonal weather in the last 18 months.

Gent has blamed difficult trading conditions in the most important areas of its business, particularly women's dresses. Marks and Spencer has been concentrating on buying more basic lines and this has further squeezed already slim margins.

After cutting last year's final dividend from 2p per share to 1p, Gent has halved this year's interim from 1p to 0.5p. The joint chief executives have waived their entitlement to receive the interim in respect of their personal holdings of 21.7 million shares amounting to just over 60 per cent of the company. *Tempus, page 31*

Record trade deficit for US

The US trade deficit rose to a record \$117.7 billion (£80.3 billion) last year as the strong dollar brought a surge in imports. The previous highest shortfall was in 1984, when the deficit in the balance of payments on current account, reached \$107.4 billion.

The US became a net debtor last year when dividends and interest going abroad exceeded the payments from abroad.

Sidlaw buy

Sidlaw Group has acquired Edwards (Aberdeen), a private company in wholesale cash-and-carry food distribution. The initial price will be £1.28 million. An additional payment, up to a maximum of £850,000, may be made, based on profits.

Profits rise

Pretax profits at Paterson Zochonis rose from £17.52 million to £20.87 million in the half-year to November 30, despite a drop in turnover from £150.02 million to £120.45 million. The interim dividend is raised from 1.55p to 1.65p.

Merger on

The acquisition by Waitaki NZ Refrigerating of certain assets of Thomas Borwick & Sons is not to be referred to the Monopolies Commission.



Sir John Harvey-Jones, above, chairman of ICI, has increased £25.73m or just under 9 per cent on the £287.26m he received in 1984. Sir John says in his annual report that the base for growth in consumer and speciality products is well established.

Dawson sues

Dawson International, whose agreed merger with Coats Patons was abruptly called off when Coats decided to recommend a rival bid, is suing Coats for the estimated £6 million costs of the abortive bid.

MARKET SUMMARY

Table with columns for STOCK MARKETS, GOLD, and MAIN PRICE CHANGES. Lists various indices like New York Dow Jones, Nikkei Dow, and gold prices.

Bache Group pays £12m for Clive Discount in full-scale takeover

By Richard Thomson Banking Correspondent

Clive Discount, the fifth largest discount house in asset size, yesterday announced it had agreed terms for a takeover by Bache Group Incorporated, the large American securities house, in preparation for big bang.

Bache will pay 30p for each ordinary share worth 20p. The price is 50 per cent above Clive's net asset value on February 28, valuing each ordinary share at 32p.

The arrangement follows an option agreement taken out by Bache last year to buy 33 per cent of Clive at a 50 per cent premium, but at that time the offer was 57p per share. After the new offer to buy Clive outright, the original option agreement will lapse.

The premium over the net asset value of Clive is higher than has been paid for other discount houses by financial services companies. Mr Chris de Boer of Bache said: "We consider it a fair price given the way Clive will fit into our plans for the sterling market and the expertise of the people involved."

Bache had no intention of interfering in the way the discount house would operate after the takeover, he said. Mr Nick Chamberlain, the



Nick Chamberlain worked closely with Bache

chairman of Clive, said the £12 million takeover agreement came after Clive had worked closely with the American group in the last few months.

The move would ensure increased capital backing for the discount house after big bang, allowing it to continue its traditional business of market making in short-dated instruments, he said.

A second reason was to involve Clive in a primary dealership in the British gilt-edged market.

Clive will be a crucial part of the group being formed by Bache to cover London's sterling mar-

kets after deregulation. Bache already owns 29.9 per cent of P-B Securities, Down de Boer & Duckett, the stock broker, of which it will take full ownership in July.

With the co-operation of Clive Discount, P-BDD has set up two subsidiaries - a primary gilt dealership and a money broker - which will come into operation after October. Bache is capitalizing the primary dealership at £25 million initially but is so far not saying how much it will add to Clive's capitalization.

Bache owns 100 per cent of Prudential Bache Securities, one of the largest US securities houses with more than 300 branches in 18 different countries.

Mr Chamberlain said: "We do not expect to be very high-profile players in the new gilt markets as some of our competitors evidently intend to be. However, we believe it is very important to us that Bache has a large base of retail clients which will help us to operate effectively in the market."

The Bank of England has rules that one discount house will continue to operate in the traditional way but Clive is not the only discount house to have been bought by a US company. Citicorp last year paid £7 million for Securix Marshall and Campion.

Investors back UB bid for Imperial

By Alison Eadie

Sir Hector Laing, chairman of United Biscuits, yesterday won his shareholders' approval for the company's £2.5 billion bid for Imperial Group.

The voting was 42 to 10 on a show of hands at the extraordinary shareholders' meeting and 94.9 million shares to 16.3 million, according to proxies received.

The proxies represented 28 per cent of UB's equity. Mr Russel Edey of Rothschild merchant bank, acting for the rival bidder Hanson Trust, put four questions to Sir Hector.

He asked whether UB could give assurances that it was not considering raising its offer; how the board could recommend the merger with Imperial, even though the terms of the second merger were far less favourable to UB shareholders; whether shareholders' income had been considered; and finally how UB estimated its potential loss on buying 14.9 per cent of Imperial could only be a maximum £20 million and why shareholders' approval had not been sought for the purchase?

Sir Hector said he saw no reason to increase UB's bid, but reserved his option to do so. He said the revised merger proposals gave UB shareholders 31 per cent of the combined group for putting in 29 per cent of the profits and 20 per cent of the assets.

He said an announcement on shareholders' dividends would be made at the appropriate time. Finally, he said, shareholders' approval for the lmp share purchases had not been sought because there was no risk of any significant loss. UB was showing a profit of £17 million on its stake.

One shareholder complained of the literature coming through his letter box. He added that small shareholders were so confused they did not know which way to turn. *Tempus, page 31*

Berisford rivalry intensifies as Ferruzzi chief flies in

By Michael Prest, Financial Correspondent

Hillsdown, the food group, announced yesterday that it had raised its stake in the commodity trader S&W Berisford - which it has been stalking for some months - to 10.4 per cent.

Meanwhile, manoeuvring intensified with the arrival in London of Signor Raul Gardini, president of the rival suitor, Ferruzzi, the Italian agricultural group.

Ferruzzi's adviser, Barclays Merchant Bank, has acquired a 9 per cent stake in Berisford. With its share price hovering around 227p, Berisford is valued at £434 million. Barclays is understood to have paid 225p a share. Hillsdown was trading at 248p yesterday, capitalizing the group at £468 million. Most of the Ferruzzi companies are privately



Ephraim Margulies: complex talks

owned and the company has not published a consolidated balance sheet. Ferruzzi has been engaged in complex negotiations with Berisford, whose chairman is Mr Ephraim Margulies, to

take over British Sugar while allowing the rest of the group to revert to being a private company. The Italian group is already Europe's biggest sugar concern, and if allied with British Sugar would control almost a quarter of EEC sugar production quotas.

Berisford was forced to make provisions totalling £35 million against losses from the collapse of the International Tin Council's trading operation. The company has also suffered from low commodity prices and stagnant markets. Several traders have left the group.

Hillsdown, which includes among its properties the Buxted Poultry, Ross Poultry, Smedley's, and FMC names, is thought to be more interested in the whole of Berisford.

PSBR well under £8bn target

By Oor Economics Correspondent

The public sector borrowing requirement was a negative £373 million last month, confounding the expectations of City economists. The unexpected repayment in February followed a larger one, of £4.5 billion, in January.

The cumulative PSBR for the first 11 months of the financial year was £2.8 billion, compared with the Treasury's original target of £7 billion for the complete financial year. This target was revised up to £8 billion in the Chancellor's autumn statement last November.

The figures would appear to guarantee a sizeable PSBR undershoot for the financial year. In the first 11 months of the last financial year, the cumulative PSBR was £7.7 billion.

Revenues are running strongly ahead. Consolidated fund revenues were £8.6 billion last month and, in the first 11 months of the financial year, £97.1 billion, 9.5 per cent up on a year earlier. Inland Revenue receipts were up by £5.6 billion on the previous year. Customs and excise takings were up by £1.8 billion.

Growth in British output slows

By David Smith, Economics Correspondent

Growth in British output has slowed, according to official figures released yesterday. Although overall industrial production rose by 1.6 per cent in January, its performance over the latest three months has been flat.

Manufacturing output fell by 0.1 per cent in January, and was up by just 0.4 per cent in the November-January period, compared with the previous three months.

Officials believe that overall industrial production is rising at an underlying annual rate of only 1 per cent, while manufacturing is growing at a slightly better pace of 2 per cent.

Industrial production was boosted in January by a recovery in energy output from the low December levels. North Sea output increased, as did domestic gas and electricity production with the onset of colder weather in January.

Growth in manufacturing output appeared to reach a peak in the second quarter of last year, when it was 4 per cent up on a year earlier.

Since then, output has levelled off. In the latest three months, the building materials and mechanical engineer-

ing sectors have been doing well, with rises of 2.5 per cent and 5.5 per cent respectively. But output in chemicals and textiles has flattened out, and production in the electrical engineering and metals industries was down in the latest three-month period.

The manufacturing figures are still being revised upwards artificially by the so-called bias adjustment, based on the difference between actual information received by the Department of Trade and Industry, and the monthly surveys of output expectations of the Confederation of British Industry.

In January, the index of manufacturing output was revised upwards by 1.1 points by this bias adjustment.

However, the new system of adjustments, introduced in the November figures, resulted in too big an upward adjustment in output in the fourth quarter of last year, and the figures have subsequently had to be revised downwards.

Industrial output, on the latest figures, is 2 per cent higher than in the first half of 1979, the previous cyclical peak. But manufacturing output is 5 per cent lower.

Volcker 'is not about to resign'

From Bailey Morris Washington

The United States Federal Reserve Board moved quickly yesterday to deny reports that Mr Paul Volcker, the chairman, planned to resign after suffering a big setback orchestrated by the new Reagan-appointed majority during the board's closed door meetings on the recent discount rate cut.

A spokesman for the board, which acts as a central bank, said Mr Volcker had not scheduled a surprise press conference to announce his resignation yesterday despite the rumours on Wall Street.

Government officials did confirm, however, that Mr Volcker, who has ruled the Fed with unchallenged authority, was shaken and visibly upset by the coordinated action of President Reagan's four appointees in outvoting him late last month on a discount rate cut.

The new majority voted 4-3 for an immediate discount rate cut whether or not West Germany and Japan took similar action.

Mr Volcker, described as dismayed by the internal revolt against his authority, prevailed on his colleagues to defer the action until a week later, following the decisions by West Germany and Japan to cut their rates, the official said. The US discount rate was then announced on March 6 as a unanimous decision.

Cheaper money hopes boost building firms

STOCK MARKET REPORT

Stock markets exuded optimism ahead of the Budget. After a cautious opening in the wake of Wall Street's 15-point correction overnight investors were soon encouraged by the cheaper price levels, so that by the time the Chancellor stood up just after 3.30 an early fall of more than seven points in the FT index had been reversed.

Another cheerful set of public sector borrowing figures helped to sustain gains of 3/4 in gilts, already excited by the prospect of base rate cuts. Building shares made a firm showing on the brighter outlook for mortgages. Brick makers, timbers and cement shares all made substantial progress.

Among the best performers were Tarmac at 450p up 18p, Blue Circle 13p higher at 661p, and Magent & Seares 8p better at 162p. SGB Group hardened 2p to 302p after the annual meeting.

Stores was another sector to benefit from the cheaper money trend. Marks and Spencer, which is expanding into furniture, improved 5p to 203p. Boots was active again at 275p up 4p, while Combined English Stores Group, with results later this month, gained 6p to 197p. Against the trend Woolworth lost 5p to 598p. Dee Corporation up 7p to 257p dampened recent take-over speculation.

Hopes that the Organization of Petroleum Exporting Countries ministers will eventually decide to cut production levels boosted oil, where BP at 560p and Shell 755p both advanced 12p. Breweries made a dull showing on the threat of duty increases but news that the Chancellor had ignored the sector gave share prices a fillip in late trading.

Tobaccos were firm under the lead of BAT Industries, up 15p to 408p in sympathy with the current strength of the sector across the Atlantic. S&W Berisford added 1p to 227p as Tate & Lyle increased its stake from 2 per cent to 4 per cent by market purchases at 225p. This was in reply to Ferruzzi's "tea time" raid on Monday in which it picked up 9 per cent of Berisford. Hillsdown, 4p better at 245p, had already increased its holding in Berisford to over 10 per cent last week. RHM, in which Berisford has a substantial holding, rose 6p to 216p. Bank shares returned to favour after last week's upgradings by two leading brokers. National Westminster climbed 15p to 832p and Barclays closed 13p better at 527p. In discount houses Clive Discount Holdings hardened 1p to 47p as Bache & Co of America made a 50p cash bid for shares it did not already own.

Elsewhere in financials Exco tumbled 10p to 223p as a corporate client of its subsidiary, Wico, failed to honour a bargain of around £30 million. A 37 per cent profits increase supported Expatm at

168p up 3p but profits much as expected left Paterson Zochonis 8p lower at 250p. Hall Engineering jumped 6p to 186p still reflecting recent comment. Westland put on another 2p to 88p following a Pan American contract. Sobel owed its 9p rise to 65p to chart buying. AE, a firm market after the Cadillac contract, dipped 8p to 176p.

Almost doubled profits strengthened Automotive Products at 227p up 3p. Kenning Motor improved 4p to 175p awaiting bid developments from Toser Kemsley, 4p better at 103p.

Trusthouse Forte attracted fresh speculative interest at 196p up 2p. Brent Walker was another firm spot in leisure shares, at 118p up 6p. Recent comment helped Unigate to another 5p improvement to 288p. In the publishing sector St Ives Group soared 85p to 775p on the £23.5 million expansion moves.

Octopus, reporting on Thursday, rose 10p more to 640p. Sir Gent held steady at 64p, pleased with a small profit instead of the expected losses. BM Group jumped 15p to 178p in response to doubled profits. Thomson T-Line rallied 10p to 188p ahead of today's ex-rights quotation. Sanleigh Electronics attracted revived speculative support at 247p up 14p.

In contract Access Satellite, which was trading at well over £3 a share last year, tumbled another 8p to 70p as jobbers searched for a support level. Takeover speculation continued to excite AB Ports at 530p, up 7p ahead of results next month. Bentshal, reporting today, added 2p to 172p. Dealers are looking for increased profits of around £2 1/4 million.

In textiles Dawson International improved 4p to 254p as it took legal action against Coats Patons concerning the recent change of mind on the Vantona bid.

Garnar Booth was wanted at 192p up 8p and Wellcome closed 3p firmer at 233p on the prospects for their anti-Aids drug. Profit-taking docked 30p from William Baird at 530p.

Table titled 'RECENT ISSUES' listing various equities and their prices. Includes Abbots M V, Ashley J, Brookmount, etc.

Table titled 'RIGHTS ISSUES' listing rights issues for various companies like Cullens N/P, Harveys N/P, etc.

Client's default costs Exco £30m in Tokyo share deal

By Teresa Poole

Exco International, the money-broking group, announced yesterday that its Hong Kong-based international stockbroking firm, W.L. Carr, Sons & Co (Overseas) - Wico - is to settle a £30 million bargain in Tokyo after the failure of a Japanese corporate client to complete the transaction.

It is believed that Wico accepted an order to buy five million shares in a speculative Japanese railway company, the Nan Kai Railway, for a client who is now unable to

meet the cost of the shares. Wico cannot deal directly in the Tokyo Stock Exchange and would have placed the order through a Japanese broker who is now demanding settlement.

If the client does not eventually settle the bargain, Wico will have to bear any loss on the shares. City analysts estimated yesterday that this could reach £5 million, compared with expectations of 1985 profits from Exco's stockbroking operations of up to £7 million. In 1984, stock-

broking made pretax profits of £5.2 million. Wico was granted branch status in Tokyo in 1984 and has been trying to build up business there.

Exco's chairman, Mr Bill Matthews, said the company had instructed lawyers in Tokyo to start proceedings against the client and denied that this was a setback to any further expansion of Japanese business. Exco's shares fell 13p to 219p, representing the loss per share if none of the £30 million is recovered.

Large advertisement for BRASS TAX. Includes the text 'BRASS TAX' in large letters and 'SOME ESSENTIAL ADVICE ON TAX PLANNING.' Below the text are several small images of tax-related documents.

Profits up at Laing

By Judith Huntley

Laing Properties' pretax profits for the year ended December 31 were £15.5 million compared with £13.2 million in 1984. The company is heavily exposed to the US property market but said British and American portfolios added an equal amount to profits last year. Currency falls in Canada and America left the company with a £24.7 million loss compared with a gain of £15.9 million in 1984.

Investment income rose 11 per cent to £27.6 million and property sales totalled £32 million, including the whole of the Canadian office portfolio. The directors' valuation added £5.5 million to properties put into the portfolio. The second-half dividend will be 4p, making 7p a share for the year.

The company is aiming to go for value-added developments in future.

Opec may adopt strict new quotas

From David Young, Geneva

Saudi Arabia's oil minister, Sheikh Ahmed Zaki Yamani, has indicated that he may be prepared to accept such a system, but is insisting on its unanimous acceptance together with an indication from the non-Opec producers that they would not mop up any excess demand.

Today, non-Opec oil producers such as Mexico, Malaysia, Oman, Egypt and Angola will be asked for their co-operation. Opec is still considering how it should approach Britain and Norway to seek limited co-operation.

The approaches to Britain and Norway by Opec may be at prime ministerial level. Dr Mans Saeed Al Otaibi, the United Arab Emirates oil minister said yesterday that Britain was no longer being seen as Opec's "public enemy number one" but it was still felt that it should be prepared to offer some co-operation on output restraint to Opec.

Form for requesting tax planning advice. Includes checkboxes for 'Ways to Reduce Your Personal Tax Bill' and 'Ways to Reduce Your Company Tax Bill'. Also includes fields for name, position, company, telephone number, address, and postcode.

TEMPUS

Why Opec is losing its grip on the oil price

The Chancellor has set down, but no one is any the wiser about how big a hole will be left in tax revenues by the falling oil price.

It is not likely to depend all that much on the meeting of the Organization of Petroleum Exporting Countries either, because there is a strong possibility that the cartel will not be successful in regaining price control even if it reintroduces quotas.

The only reason Opec held up prices for as long as it did was because Saudi Arabia was willing and able to act as swing producer. In the event, this meant successive reductions in Saudi output until, at one point last year, it was reported to have fallen below 2 million barrels a day, less than half its quota.

At that level, flexibility is lost. The Saudis no longer have sufficient spare capacity to act as swing producers. They also started to feel the pinch financially, hence the decision to stich up sales contracts on a netback basis.

This has allowed them to increase output to 4.5 million barrels, helping to maintain revenues at much reduced prices. Inevitably, these sales contracts and later deals further reduce the scope for fine-tuning production.

If output of 2 million barrels a day was painful last year, when the price was \$30 a barrel, how much more painful will it be now that the price has halved? This is what reliance on the reintroduction of a collective Opec ceiling with individual country quotas is likely to mean.

Demand for Opec oil has not expanded since last year. Nothing has changed which can give any cause for optimism that Opec members will be any better at adhering to quotas this year than last.

In fact they are likely to find it more difficult to stay within output ceilings. The scale of cutbacks required just to hold prices and to restore some of Opec's credibility may be too great for the fragile economies of some members.

Furthermore, the lower the price falls, the less the oil exporters are likely to be able to afford to cut production.

Opec may have got itself into a tight corner. Events in

Geneva are not reassuring to those who look for some firming of North Sea oil prices.

To regain control from here, the richest countries, Saudi Arabia and Kuwait, would need to cut their production so far that they would have to start drawing, to a much greater extent than they have been willing to so far, on their considerable capital resources saved away when the price was rising.

There is no evidence that this forms any part of their strategy. They are looking to the rest of Opec and, of course, outside producers to cut their output. In that strategy lies the end of a cartel which has had the industrialized world by the throat since 1974.

United Biscuits

United Biscuits shareholders' approval of their board's bid for Imperial Group takes the long-running merger story into the home stretch. All that is needed now is the Office of Fair Trading's judgment on the competition implications.

A referral looks unlikely after the sale of Golden Wonder, so Imperial shareholders should now consider the merits of the rival bids from Hanson Trust and UB.

Hanson has emphasized the higher value of its all-paper offer. With Hanson shares at 180p, the share and convertible offer is worth 369p for each Imperial share. However, its share and cash offer is worth 333p with Hanson shares at 180p, convertible and cash offer worth 335p, and its share and cash offer worth 329p, with UB shares at 240p. Imperial shares were at 334p yesterday.

There is little to choose between the mixed offers — the type most shareholders are going to accept. The addition of cash by Hanson in its final offer was deliberately done to overcome institutions' reluctance to absorb too much Hanson paper.

The 30p price rise in the last month in Hanson's share price has caused UB and Imps to suggest the price is

artificially supported in New York.

The UB-Imps merger will provide benefits of integration and rationalization, as many parts of their businesses are complementary. The merger is also supported by Imperial's top management.

Hanson has no complementary businesses, so can only offer rationalization benefits and its famed management expertise.

S R Gent

With its record of strong profit growth, S R Gent was launched as the wonder share of 1983. The Barnsley-based supplier to Marks and Spencer had success stamped all over it.

Since 1984, the fairy tale success story has gone into reverse. Yesterday's interim results showed that the group barely broke even in the six months to December 1985.

Although the company's strategy is to reduce its reliance on Marks and Spencer to 75 per cent within five years, Marks and Spencer still accounts for 90 per cent of turnover. But the source of its original success is now a big contributor to its present misfortunes.

After the unseasonal weather of the last 18 months which left it with unsold fashion lines, Marks and Spencer has become a much tougher customer.

It has negotiated down suppliers' margins and is ordering smaller volumes on faster delivery times. In addition S R Gent is being asked to supply more basically-styled dresses which have a lower margin.

The outside competition has also become stiffer with successful stores such as Benetton, Next and Principles all competing for the same business.

The riches-to-rags effect is carried through to the dividend which has been halved to 0.5p. The dividend is being paid out of reserves.

A return to acceptable levels of profitability is likely to be a long, hard slog of cutting costs and diversifying customers. The final dividend of 1p paid last year must also be in doubt.

COMPANY NEWS

● **BESTOBELL:** An offer has been received from a New Zealand company, Euro-National Corporation, which will enable Bestobell to achieve full ownership of Bestobell Australia, in which it already has an 86.1 per cent stake. The transaction will be subject to the approval of the minority shareholders and the Australian Foreign Investment Review Board.

● **STEETLEY:** Steetley Construction Materials, a wholly owned subsidiary, has spent £7 million extending the range of its French construction materials offshoot, Garon-Bidel, of Lyons. This has given Garon-Bidel an extra aggregate capacity of 3 million tonnes.

● **ANGLO UNITED DEVELOPMENT CORPORATION:** Mr David McErlain, the chairman, confidently predicts in his annual statement that substantial progress will be made in 1986.

● **ROTHMANS HOLDINGS:** The company is to buy the Pisco products manufacturing and marketing operations of Rothmans Industrial of New Zealand for about NZ\$80 million (£29 million) cash. Rothmans Industrial is 20 per cent owned by Rothmans International of Britain and the balance mainly by the New Zealand public.

● **COURTS (FURNISHERS):** The company has bought for cancellation, from the Courts staff pension fund, 806,114 non-voting "A" ordinary shares at 137.865p each. This is the price set by the formula agreed by shareholders last October.

● **LENNARD OIL & R I CORPORATION:** Lennard Oil's appeal against the Queensland Supreme Court's ruling on royalty rights over Eromanga/Adavale basin permits ATP 298 and ATP 299 (A & B) has been dismissed. ARI was also awarded costs.

● **ROYEX GOLD MINING:** This Toronto company reports a net loss before exceptional items of Can\$742,000 (£364,000) for the three months ended Dec 31, 1985, compared with a loss of Can\$893,000 for the 1984 quarter, which was increased by a Can\$4.69 million write-off of the investment in Goldlund Mines.

● **JAMES WILKES:** In his annual statement, Mr A T Brain, the chairman, reports that the three main operating companies are trading profitably.

French voters take pressure off franc

Most currency forecasters have assumed for the past 12 months that the French parliamentary elections would be followed by a general realignment of parties within the European Monetary System.

The new government, it has been argued, would take advantage of the chance to wipe the slate clean, and devalue the franc against the mark by between 5 and 15 per cent — the range for the estimated loss of competitiveness since the last EMS realignment three years ago.

A change in the key franc-mark rate, the fulcrum of the EMS, would permit a general ironing out of inconsistencies within the system, where parties have moved out of line with underlying economic trends since the 1983 realignment.

Amid the general confusion, some analysts have suggested, there might even have been room for sterling to be sneaked into the EMS, without the foreign exchange vultures immediately setting on it.

But, with last weekend's elections now becoming absorbed into the psychology of the foreign exchange markets, the expected EMS realignment has not occurred. Indeed, the franc-mark rate has showed no sign of strain. Has the need for an EMS realignment passed by?

According to Dr Brendan

Supporters of the European Monetary System argue that the stability of the franc during the French election has provided an object lesson in the effectiveness of the system, and that the prospect of a big realignment of the franc has now receded. David Smith, Economics Correspondent reports.

Brown, currency economist at the brokers, Phillips & Drew, the closeness of the French election has made the prospect of a large realignment of the franc-mark parity less likely.

A resounding election victory for the centre-right coalition would have resulted in a government with a mandate for change, and for undoing five years of socialism, he says.

Thus, a big franc devaluation within the EMS would have been combined with a Thatcherite dismantling of exchange controls.

The devaluation itself could have been presented as the price to be paid for the mistaken policies of the previous regime, according to Dr Brown.

He still expects a realignment at some stage soon, but it is likely to be a more modest 2 to 3 per cent marking down for the franc, so that the French

will be able to reduce domestic interest rates to 6 to 7 per cent from the present 8 to 9.

Mr David Morrison, currency economist at Simon & Coates, is looking for a 5 to 6 per cent franc devaluation.

Since the last general EMS realignment, French competitiveness has declined by 10 to 11 per cent, he calculates.

Supporters of the EMS say that the franc's stability over the election period has provided an object lesson in the effectiveness of the system.

However, the price has been paid in high overnight interest rates in France, and large capital flows to Germany.

There is no direct comparison to be drawn with likely British experience in the EMS, because of this.

For European finance ministers, the hard decision to be taken in the coming weeks is on the timing of any EMS realignment.

It can be argued that the best time to correct obvious system distortions is when market conditions are quiet, and there is no strong pressure for a franc devaluation.

The last thing that is required, amid the present outlook of political uncertainty in France, is for the franc to be forced into the position of the lira last year, when panic selling produced an emergency weekend realignment for the currency.

Japan may brake yen climb

From David Watts Tokyo

Japan may resort to "counter-intervention" to stem the rise in the value of the yen as the currency reaches post-war highs against the dollar, the Finance Minister, Mr Noboru Takeshita, hinted yesterday.

He indicated that there might be intervention after consultation with other members of the Group of Five leading industrial nations if the yen continued to appreciate. But at least part of the rise at the start of this week must also be attributed to his other observation that the Group of Five's basic stance on the value of the yen was unchanged.

The dollar closed in Tokyo at 175.45 yen on Monday.

Amid continuing indications that many Japanese industrialists and financiers expect the yen to continue its climb, with important indicators to be announced in both Japan and the United States this week, there were renewed demands for government intervention.

Mr Noboru Gotoh, chairman of the Japan Chamber of Commerce and Industry, called for government intervention to stabilize the exchange rate in consultation with West Germany, together with a third cut in the official discount rate.

APPOINTMENTS

Logica: Mr Andrew Karney, Mr Ian Macleod, Mr Brian Martin and Dr David Stanley have been appointed executive directors from May 1.

Bison Holdings: Mr Charles A Fraser has been made chairman.

Royal Insurance: Mr E L Palmer has become a director.

Cement and Concrete Association: Mr R J Ward has been appointed director, market development.

Inbucon Management Consultants: Mr Gordon Grant has been named director, manufacturing services.

Trusthouse Forte Hotels: Mr Michael Jones has been appointed managing director, development.

Leslie & Godwin (UK): Mr Robert Topple has been named chairman and Mr Antony M Pilsent and Mr Christopher Robinson have been made directors.

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The best known name in merger broking

Lloyd's assessors win the 'tick' of approval

By Teresa Poole

The first "quality tick", a new British assessment mark, was presented yesterday by Mr John Butcher, Under Secretary for Trade and Industry, to Lloyd's Register Quality Assurance.

The "tick" scheme, launched last June, provides for the organizations which assess products and quality management systems to be assessed themselves on competence.

As an accredited quality

assessor, Lloyd's Register will have the right to use the "tick" when it certifies that a particular standard has been met by a company.

In the past, there has been no check on the certifying organizations.

The Government launched its national quality campaign in 1983, and yesterday extended the quality assurance support scheme for a further two years at a cost of £2 million.

BASE LENDING RATES

ABN	12½%
Adam & Company	12½%
BCCI	12½%
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Continental Trust	12½%
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C. Hoare & Co	12½%
Lloyds Bank	12½%
Nat Westminster	12½%
Royal Bank of Scotland	12½%
TSB	12½%
Citibank NA	12½%

† Mortgage Base Rate.

EXPAMET INTERNATIONAL PLC

BUILDING INDUSTRIAL AND SECURITY PRODUCTS

The Chairman, Jeremy Beasley, reports:

RESULTS "Earnings per share, the Group's principal measure of success, has increased by 33% to 12.58p (9.49p). This has been achieved on turnover up 25% at £52 million, with pre-tax profits 37% higher at £4.4 million (£3.2 million).

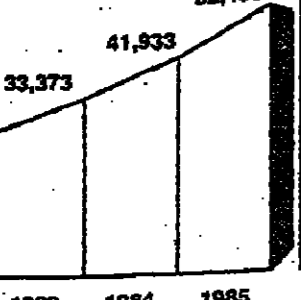
"The Group's return on capital employed of 26.9% is particularly satisfying against 16.2% achieved last year. This improvement illustrates our increasing effectiveness in managing the Group's assets.

DIVIDEND "In the light of these most satisfactory results, your directors recommend an increase in the final dividend from 3p to 3.55p, making 5.9p (5p) for the year. This represents an increase of 18% with dividend cover marginally up at 2.1 (2.0).

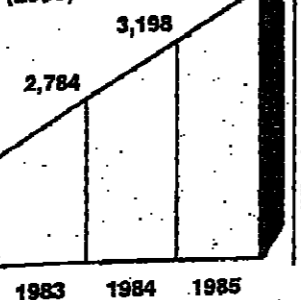
THE FUTURE "The aim of our Group is to become a significant supplier of components, products and related services to the industrial, building and security markets in the UK and to develop similar businesses overseas.

"With our core businesses continuing to improve, our new businesses exceeding expectations and our acquisition strategy progressing as planned, I am confident that the Group will achieve its objective of consistent long-term growth and above-average increase in earnings per share."

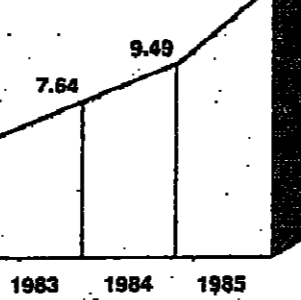
Turnover up 25% (£000)



Profits before tax up 37% (£000)



Earnings per ordinary share up 33% (pence)



The statements are abridged from the full financial statements which have been audited. The full financial statements are available from the Secretary, Expamet International PLC, 47 Russell Square, London WC1B 3JF. The financial statements are available to the public on request to the Registrar of Companies following the Annual General Meeting to be held on 30th April 1986.

Our management skills are

in freight forwarding,

in offshore oil support,

in fuel distribution,

in shipping,

in waste management,

in warehousing,

in a word, indispensable.

There was a time when Ocean was regarded as simply the best-run cargo shipping line in the world.

Today, though, our management skills are deployed across a much wider range of business activities.

With the result that we are now regarded as one of the best-run industrial services groups in the world.

As well as the seven seas, we now cover all five continents, and offer services which range from international freight forwarding to worldwide offshore oil support, from specialist warehousing to waste management and from ship towage to tyre retreading.

From a shipping concern to a multi-disciplined international organisation might seem like a giant leap. In fact it has been more a matter of small steps, some straightforward, others demanding a degree of intricate footwork.

Our acquisition of the Cory businesses, for example, and the accompanying moves into freight forwarding, ship towage, fuel distribution and ware-

housing, can be seen as logical extensions of the distribution skills we had acquired in shipping.

Offshore oil support, on the other hand, was something of which we had no direct experience. It is a fast-moving, immensely challenging sector — indeed as a test of management vision and versatility, it has very few equals.

And so have we: O.I.L., our offshore oil support subsidiary, is probably the most profitable British company in its field.

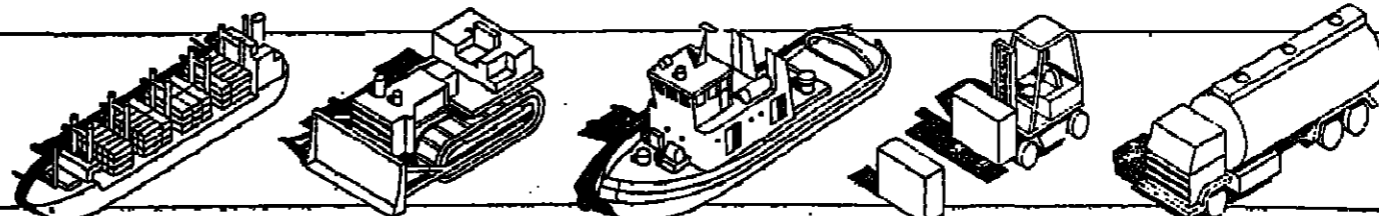
The ability to adapt and innovate, to extend existing skills and develop valuable new ones, is the key to our success with O.I.L. and to our success as a whole.

It is this which has shaped Ocean over the years, and which will sustain us in the future.

Proud words? Yes.

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THE TIMES Portfolio

From your portfolio card check your eight share price movements. Add them up to give you your overall total. Check this against the daily dividend figure published on this page. If it matches you have won outright...

Table with columns: No., Company, Year price at issue, 1985/86 High, 1985/86 Low, Price, Change, Gross Div, Yield, P/E. Includes sections for BUILDING AND ROADS, BREWERIES, DRAPERY AND STORES, ELECTRICALS, FINANCE AND LAND, FOODS, HOTELS AND CATERERS, INDUSTRIALS, DRAPERY AND STORES, CINEMAS AND TV, and BANKS DISCOUNT HP.

Weekly Dividend Please make a note of your daily totals for the weekly dividend of £40,000 in Saturday's newspaper.

Table with columns: MON, TUE, WED, THU, FRI, SAT, Dividend Total.

BRITISH FUNDS

Table with columns: 1985/86 High, 1985/86 Low, Stock, Price, Change, Gross Div, Yield, P/E. Includes sections for SHORTS (Under Five Years) and FIVE TO FIFTEEN YEARS.

OVER FIFTEEN YEARS

Table with columns: 1985/86 High, 1985/86 Low, Stock, Price, Change, Gross Div, Yield, P/E.

UNDATED

Table with columns: 1985/86 High, 1985/86 Low, Stock, Price, Change, Gross Div, Yield, P/E.

INDEX-LINKED

Table with columns: 1985/86 High, 1985/86 Low, Stock, Price, Change, Gross Div, Yield, P/E.

BANKS DISCOUNT HP

Table with columns: 1985/86 High, 1985/86 Low, Stock, Price, Change, Gross Div, Yield, P/E.

ELECTRICALS

Table with columns: 1985/86 High, 1985/86 Low, Stock, Price, Change, Gross Div, Yield, P/E.

STOCK EXCHANGE PRICES

Optimism rules

ACCOUNT DAYS: Dealings began March 10. Dealings end March 27. Contango day April 1. Settlement day, April 7. Forward bargains are permitted on two previous business days.

Main stock exchange price table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E. Includes sections for BREWERIES, FINANCE AND LAND, FOODS, HOTELS AND CATERERS, INDUSTRIALS, DRAPERY AND STORES, CINEMAS AND TV, DRAPERY AND STORES, and BANKS DISCOUNT HP.

THE TIMES Portfolio DAILY DIVIDEND £2,000 Claims required for +36 points Claimants should ring 0254-53272

OVERSEAS TRADERS

Table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E.

PAPER, PRINTING, ADVERTG

Table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E.

PROPERTY

Table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E.

MINING

Table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E.

SHIPPING

Table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E.

SHOES AND LEATHER

Table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E.

TEXTILES

Table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E.

TOBACCO

Table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E.

MOTORS AND AIRCRAFT

Table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E.

NEWSPAPERS AND PUBLISHERS

Table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E.

OIL

Table with columns: 1985/86 High, 1985/86 Low, Company, Price, Change, Gross Div, Yield, P/E.

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A cut-out-and-keep guide for confused Imperial shareholders.

VALUES OF UNITED BISCUITS' BEST OFFER		VALUES OF HANSON TRUST'S BEST OFFER	
UNITED'S SHARE PRICE	THE OFFER	HANSON'S SHARE PRICE	THE OFFER
p	p	p	p
230	323.6	170	349.8
231	324.9	171	351.5
232	325.7	172	353.3
233	327.0	173	355.8
234	328.2	174	357.6
235	329.5	175	359.4
236	330.7	176	361.1
237	331.5	177	362.9
238	332.8	178	364.7
239	334.0	179	367.2
240	335.3	180	369.0
241	336.5	181	370.7
242	337.8	182	372.5
243	338.6	183	374.3
244	339.9	184	376.0
245	341.1	185	378.5
246	342.4	186	380.3
247	343.6	187	382.1
248	344.6	188	383.8
249	346.1	189	385.6
250	347.5	190	387.4

The values of Hanson Trust's and United Biscuits' offers depend on their respective share prices. The above offer values are for Hanson Trust's Share and Convertible Stock Election and United Biscuits' Offer or Ordinary Share Alternative (where this is worth more than the Offer). The offer values take account of estimates by Hoare Govett Ltd. of the values at the relevant ordinary share prices, of the 10% convertible loan stock of Hanson and the convertible preferred shares of United Biscuits.

If you're a trifle confused, we can understand why.

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(In order to be perfectly fair, the

values we've quoted are based on the best possible offers).

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Jonathan Wren International Ltd

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The choice is yours to pick one of our plum jobs; the V.P. of an international Co. in Berkeley Sq. needs a poised, confident P.A.; a well known Co. in SW7 dealing with confidential Government matters needs a bright right hand and a leading training organisation also need a top P.A. Any one of these could be yours if you are outgoing, full of initiative and have good sec. skills. 80/50 + 1 yrs sec. exp. Sals. £9-10,000. Please ring us to hear about these and other interesting jobs we are handling.

437 4187/89
HOBSTONES

DRAKE PERSONNEL

TRAINING PA £9,500
You will deal with all the organising and administering of a exciting training course when you assist the senior executive of the expanding company. You will be expected to show authority and take over projects such as print orders and advertising literature. The junior staff will look to you for direction and it is easy to relate to your perceptive boss. With busy shorthand and good typing skills you will also be responsible for certain projects and areas of administration. Your fluent French will be used in dealing with various European offices both on the telephone and in written work. Speeds 80/50 + WP. Age 22 - 30.
Angela Mortimer Ltd, 629 9686
ANGELA MORTIMER

COLLEGE LEAVERS

We have a number of openings for enthusiastic young secretaries with lots of scope to learn all aspects of the Advertising, Fine Arts and Finance worlds. Skills 25-7,000+.
Please call: 437 4187/89
HOBSTONES

DRAKE PERSONNEL

WORLD OF SPORTS £9,000
This large West End company are looking for a very special person to cope with the busy environment of a leading sports retailer. You will assist a very dynamic manager and will have a very varied and exciting role. You will be responsible for a wide range of products and will need to be a very good communicator. The opportunity is there to move into selling once the industry has been learnt. So, if you have excellent typing and shorthand skills, please call SHARON SMITH on 724 0911.

DRAKE PERSONNEL

SPANISH SPEAKING PA £12,000
Are you looking for the opportunity to use your Spanish language? Then why not join this prestigious City Bank based in beautiful luxurious offices. You will assist a very dynamic manager and will have a very varied and exciting role. You will be responsible for a wide range of products and will need to be a very good communicator. The opportunity is there to move into selling once the industry has been learnt. So, if you have excellent typing and shorthand skills, please call SHARON SMITH on 724 0911.

TEMPTED TO TEMP? £6.20 p.h.

If you are a first class senior-level temporary secretary with speeds of 100/60, 2 years' Director level secretarial experience in central London and possess proficient Word-Processing skills, we think you will be tempted by what we can offer you. We are a highly professional agency and our temporary team has established a reputation which reflects excellent standards. If you join our team, not only will you work for an interesting variety of clients, but you will also receive the best rates in London. Our skilled tempers all pass the same test. We can, in addition to finding you tempting assignments and paying you tempting rates, offer you the opportunity of turning into a permanent job. If you find temping hard to resist, please telephone for an appointment or a fact-sheet: 01-434 4512 (West End) 01-588 3535 (City)

Crone Corkill
Recruitment Consultants

"STEP UP TO SALES MANAGEMENT" £10-15,000+ per annum

Develop your Sales/Management experience or flair for communication in a fast-moving, fun environment. An exciting Career Opportunity to manage and motivate an enthusiastic Team promoting our Training/Recruitment service to major organisations. Liaison involves both Teleconferencing and PR. Superb prospects and rewards in return for hard work, coupled with bags of personality. If you are aged 25 - 32 years and want to take control of your career now in order to get to the top. Ring Beverly Sayer on 01-377 9677
CRAMBROOK TRAINING & RECRUITMENT PLC

SECRETARY/PA Circa £14,000

PRS is a rapidly growing international business consultancy with offices in Mayfair - London, Connecticut - USA and Tokyo. Our Chairman and Chief Executive requires an outstanding secretary with first class secretarial skills. The appointee will have excellent organising and communicating ability, with a sense of commitment. An attractive, confident and experienced person in the age range 28-40 is sought to fill an important position in a rapidly developing Company. Only outstanding secretaries with a willingness to commit themselves wholeheartedly and enthusiastically should apply. Please write with comprehensive C.V. to: John Martin, Esq, Chairman, PRS Consultancy Group, Premier House, 44/48 Dover Street, London W1X 3RF. (NO AGENCIES)

After your Exam comes the Real Test

If you are currently nearing the end of your college course you will soon be qualified as a secretary. What you will then need is the opportunity to put that qualification to its best use. That's the real test - and we can help you to pass it. We can talk to you about many different current opportunities which are an introduction to a rewarding and stimulating career. To tell us about yourself and your own particular interests please contact Joanne Gregory or Gillian Etwood. 01-491 1868

FAST GROWING AD AGENCY COVENT GARDEN

MEDIA SEC - SALARY £8,250

Required for hectic group. Usual secretarial skills and sense of fun essential. Please send recent photo and C.V. to: Laura Harris, 41-44 Great Queen Street, London WC2B 5AR.

TELEPHONIST - SALARY £7,500

In a busy environment, all we require is a calm, efficient sounding person to look after the Merfin Switchboard. Please send recent photo and C.V. to: Diana Kelly, 41-44 Great Queen Street, London WC2B 5AR.

POSITIVELY NO AGENCIES.

CAROLINE KING

MARKETING £10,000

This small W1 Market Research Co. needs you to run the office, recruit junior staff & keep all expenses in check. You will have lots of client entertainment to organise as well as acting as PA to their young-thinking Chairman. WP essential, 80/60 skills, age 25-32 years. £8,000

This young lively Video Production Co. is looking for a secretary with lots of common sense to join their marketing team. This is a brand new job, and you'll meet their clients, organise mail-shots & do some company research. Skills 90/45.

please telephone: 01-499 8070
46 Old Bond Street London W.1.

RECEPTIONIST ST. JAMES'S £8,000+

If you enjoy greeting important clients and would be happy using a simple switchboard, doing some accurate typing as well as varied reception duties, then this international bank with superb offices would be delighted to see you. Benefits include P.P.P., season ticket loan and an excellent annual bonus. Ring Beverly Sayer on 01-377 9677
Bernadette of Bond St.
15, (near door to) Bond St. W.1. 01-623 1284

DIRECTORS SECRETARY

Do you have good shorthand and typing skills (and do not mind using a computer) and a responsible approach to work? We are looking for someone with, hopefully, Director level experience who wants to join our young and friendly Project Team and work in very smart offices in Mayfair. Amongst our benefits we offer a salary of £8,750 p.a. + staff discount on a wide range of Company goods. Please contact Paula Wallace. Dixons Commercial Properties Ltd, Dept of Dixons Group PLC, 01-495 2322

ADVERTISING OPPORTUNITY £8,500 neg

We are a large international Advertising Agency in Mayfair and are seeking a young experienced secretary to work for one of our senior account executives and his team. You will need excellent skills, intelligence, initiative, and a cheerful approach to work. If you have an interest in advertising and enjoy a challenge this could be the opportunity you are looking for. We offer a friendly working environment with sub wine bar/restaurant, 4 weeks holiday and STL scheme. For more details please telephone Susanna Jacobsen on 01-629 9496.

RECRUITMENT CONSULTANT

We are expanding our consultancy team to meet the demands of our young and flourishing company. There is no single background that is an "ideal" for recruitment. What we look for is self-motivation, the determination to succeed and a strong commercial sense. It is preferable that our consultants are 25 years' of age plus, and of degree standard. We offer an excellent salary, commission, company profit share and a professional, happy working environment. If you are interested in discussing this opportunity further please ring or write to Sarah Hazell and Stephanie Staton at the address below.
HAZELL STATON
8 Golden Square, London W1. Tel: 01-439 6021.

PUBLIC RELATIONS £8,500 pa

Hard working, self motivated secretary to work for two top account executives. Plenty of involvement offered by this lively young company. Jane Davies, 1 Lower Grosvenor Place, London SW7 2AA, 01 581 1721

WORK SHOP Tasteful Temping...

No hassles. No let-downs. Just plain, simple, high grade temping. A tasteful package of top jobs, elite rates and thoroughly professional service. If you have sound skills and experience, you should be talking to The Work Shop. Telephone Sue Cooke on 01-403 1232. Recruitment Consultants

PA/SECRETARY INTERNATIONAL BANKING

Are you a PA/Secretary looking for an opportunity to use your excellent office skills to the full? A Swiss associate of an established London based International Bank is currently opening an office in London's West End and requires an experienced PA/Secretary to work as part of a small team. Working with a Director in the busy field of Investment Management you will deal on a day-to-day basis with international clients. A background in finance of banking would be advantageous and your efficient organisational skills will be put to good use when making travel and conference arrangements. Spoken French would be useful, but is not essential. For someone with plenty of confidence, telephone Vivien Karam on 01-236 6090 for an application form.

TV, SATELLITE, CABLE TV. & RADIO. DIRECTOR'S PA/SEC £9,000

Based in the HQ of a national newspaper group in the Fleet Street area, the successful applicant will be the right hand of the Director in charge of Media Planning and Business Affairs. Good WP and ST and administrative skills at all levels, good speech and dress and enjoy total involvement. Please call Roy Statton 01-724 8460. Statton Associates Recruitment Consultants.

SECRETARY £9,000

Experienced with SH and WP skills to join small team in person office of a busy, busy way practice engaged on overseas work. Working for 2 or 3 senior executives only in a friendly atmosphere, person seeking stability would be preferred. Write only with CV to: CORONER (not type) Duncan Evans, Dogma Square, London SW1V 3PW.

College Leaver with Journalistic Flair

This is an interesting opportunity for an outgoing College Leaver/Secretary to join a charming PR Officer of this successful central London company. You should possess 'A' level education, good shorthand and typing skills and creative flair to assist with the preparation of the Company magazine and its features. Ideal age 18 plus. Salary to £7500 pa plus free lunches. Please contact Rosalie Prescott. 01-491 1868

INFORMATION SERVICES £10,500 +

Delegate, communicate, reciprocate... Expectation, remuneration, fascination... Expanding, challenging, refreshing... It may sound like a fizzy drink-it is in reality a senior administrative position within an exciting, demanding environment. Jane Graham Partnership Recruitment Consultants 01-637 2552

PA/SEC For Managing Director

A new company within Buzel Group marketing high level security systems internationally. The position involves setting up and operation of offices/sales organisations. Language ability, particularly French is desirable in addition to normal office skills including WP & tel. Location Colbrook with possibility of move nearer to west London. Apply in writing to The Managing Director, Buzel Security Systems, Northumberland House, Grosvenor Road, Staines, Middlesex, TW18 2AT

EXPERIENCED AUDIO/PA/SEC

Public property company in the financial services sector. The successful candidate will be a first class PA with excellent shorthand and typing (100/65), and previous senior level experience in a 'City' related environment. Excellent basic salary, profit share and company benefits make for an extremely competitive package. Telephone 01 629 8331 (90 hrs) after 7.00 am.

VARIETY £13,000 + BENEFITS

As PA to the Deputy Chairman of a leading international TV company, you'll be fully involved in both his business and family work. Client entertaining, controlling the Company Box at the Races, competing much of your own correspondence and organising the hectic travel schedule will keep you well occupied. An experienced and thoroughly efficient senior PA who wants to stretch their wings a bit further. Skills 100/60 Age 25 - 35. CITY OFFICE 725 8491. ANGELA MORTIMER

THE GROSVENOR ESTATE SECRETARY

A secretary is required for the MD of a company within The Grosvenor Estate. Good 'S' and 'H' and typing skills are required. Applicants should be between 23-40 with smart appearance, pleasant manner, suitable experience and able to undertake occasional travel. Four to five days and commensurate with people at all levels. Four to five weeks holiday. L.V.S. season ticket loan and attractive salary with early review are offered. Mr C/W Partridge, The Grosvenor Office, 53 Davies Street, London W.1. 01-408 0988

PA/SECRETARY

Wanted for West End Lighting Company to work for Managing Director. Good shorthand typing, smart appearance and well spoken. Some years experience necessary. Use of word processor an advantage. Excellent salary and working condition, 4 weeks holiday plus free lunches. Please apply with CV and references to Mrs Parnett-Hansen, Erop Lighting, 38 Dover Street London W1X 3RB

UNITED MEDICAL & DENTAL SCHOOLS GROUP SECRETARY

They recruit and clinical unit requires competent secretary. The successful candidate will be a first class PA with excellent shorthand and typing skills. Salary to £8,500. Applications will be accepted on an individual basis. Please send CV to: Mrs F. Thompson, 25, St. James's Court, Temple, London EC4Y 8AJ.

ADLAND PLUS

AUDIO SEC with many SH interests needed for MD of international Co. Salary £8,500. Advertising Co. required Receptionist. Telephone 01-499 6566. See glowing Ad Agency Secretary SH Sec for 2 of their most prominent Directors. Age 25+. £10,500. Call Maggie, Val or Tricia on 088 2118. In discuss these and many other permanent or temporary opportunities.

AMERICAN LAWYERS SMALL MAYFAIR OFFICE

Small partner requires experienced SH sec/PA with top skills, flex hours. Excellent salary + bonus. Please ring: 01-586 2263/5029.

TRAVEL £8,500

With your ability to deal with people at all levels and your enthusiasm to arrange lunches etc, a young sec with SH/Audio/PA skills will enjoy complete involvement with working with the Director's Sec of this reputable travel co. BOND BUREAU ST 22 South Molton St. W1 (Rec Cons) 629 3692 / 629 5589

SECOND MEDICAL SECRETARY/ RECEPTIONIST

For 2 GPs in new premises SW7. Private and NHS. Shorthand/typing essential. 38 hrs per week. Salary negotiable. Apply: Sally between 9am - 5pm 01-373 8657.

INBETWEEN JOBS

Would you like to take a look inside the exciting world of TELEVISION, FILMS, PUBLIC RELATIONS, ADVERTISING, etc? If so, then why not call us today to find out about the many interesting temporary assignments we have available. 01-499 6566 01-493 8383

DRAKE PERSONNEL

RESEARCH AND ADMINISTRATION £11,000
Excellent opportunity for you to join the international trading company based in the heart of Mayfair where you will be involved in research and promotion of trading opportunities in the London market. You will have a wide range of responsibilities in this newly created position and will need to have excellent communication and communication skills. If you are a self starter and enjoy using your initiative along with your technical skills, please call NATALIE DRUMER on 734 0811.

DRAKE PERSONNEL

BANKING SEC £12,000+ Mort Sub
This City based European bank needs a secretary for its general manager. Applicants should be well presented with a good secretarial background and excellent shorthand typing skills. A European language would be a plus. Age range 25-40. Telephone 377 8600

WORD PLUS+
The WPC Consultants

SPORT

England to face new ordeal by pace attack

England will have to leave until the last moment their choice of team for the third one-day international here today. While Botham came well through a vigorous fitness test yesterday on the ankle which was turned over while bowling against Barbados last week...

With this four-match series level at 1-1, there is more local interest in these one-day internationals than in the Tests at the moment. There may well be a full house on the little ground today, with 12,000, perhaps more, packed inside...

From now on the only opposition England meet will be the best West Indians can throw at them, there being only the last two one-day

Scoreboard table with columns for England, Barbados, and West Indies, listing runs, wickets, and bowling figures.



Expensive miss: Johnson, who scored 56, is fortunate as he is dropped by Smith



Down and out: Edmonds cannot bend quickly enough to stop Garner hitting the winning boundary

Troubled waters for new wave

A strange and wonderful thing has happened in Australian yachting circles. Two men, not three Kevlar sheets to the wind, have extended thought beyond the omnipresent America's Cup...

No boredom on board

Biddlecombe is actually looking forward to the race. "It's fantastic," he said. "I never get bored because I work so bloody hard."

Out of the classroom into the limelight

Patricia Johnson and Lillian Behan produced an excellent first round of 72, which is one under par, in the Avia Watches women's foursomes at The Berkshire yesterday...

Olive branch for Ballesteros

Severiano Ballesteros makes his only appearance on the United States PGA tour this season to defend his title here this week in the New Orleans Open by courtesy of the PGA commissioner, Deane Beaman...

Sibson is out to prove he is best in Europe

After the death of Steve Watt, the Scottish welterweight champion, at Charing Cross hospital on Monday, it felt strange on Tuesday to pick up a pen to write a preview of a boxing match today, almost as if nothing had happened...

Advertisement for 'If you die... or if you don't' booklets, offering financial planning advice from Allied Dunbar.

What exactly is the case against Ballesteros which caused his banishment? In anticipation of anything the Spaniard might say this week, Mr Beaman has issued an eight page document of explanation which I have freely abridged, using his words.

Black the crucial man to Aberdeen's hopes

Alex Ferguson, the manager of Aberdeen, returns tonight to the Göteborg stage where his side won the Cup Winners' Cup in 1983. Then, on a cold and rainswept night, they beat Real Madrid in front of a limited audience...

Another operation on his troublesome right knee yesterday in a bid to salvage his football season. A specialist diagnosed that repeated swelling was caused by a foreign body left in the joint during a previous operation.

In defence of Nelson

Accra, Ghana (Reuters) - Azumah Nelson of Ghana, the World Boxing Council featherweight champion, will not return to the United States to take a further drug test, according to his physician, Dr Barth Plange.

Taylor back

Bob Taylor, the former England and Derbyshire wicketkeeper, is returning to Test cricket as a consultant. Taylor, aged 44, will work with Cornhill, the sponsors, on a promotional basis...

Captain Blair

Loose forward Roger Blair, of Seaton, will captain the Great Britain amateur Rugby League squad to tour Australia at the end of the season.

Final curtain

Sydney (Reuters) - Jeff Thomson, the scourge of batsmen in the 1970s, bowed out of first-class cricket here yesterday. Thomson, aged 35, failed to take a wicket in the New South Wales second innings but he gave his all as Queensland went within two wickets of taking the Sheffield Shield for the first time...

Teams ready

Alain Prost and Keke Rosberg will lead the Marlboro-McLaren team into the 1986 Formula One motor racing season.

Spectacular fitness

To say Biddlecombe feels the same way would be an understatement. This is the man, now 41 years old, who returned from a recent trip to America with the nickname Rainbo for his spectacular fitness.

Not pleased

Nottingham are upset over Wasps' refusal to play a possible John Player Cup quarter-final tie on Saturday week. Until Wasps resolve their fourth round clash with Blackheath on Sunday, Nottingham will not know their opponents. If Wasps win, the RFU say the match must be played next Wednesday at Nottingham's Beeston ground.

Fashanu hope

The Brighton forward, Justin Fashanu, aged 23, had

Vertical advertisement on the right edge of the page, partially cut off, mentioning 'Ba' and 'BU'.